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# Standing Committee on Finance and Economic Affairs

Pre-Budget Consultation, 1987

3rd Session 33rd Parliament  
36 Elizabeth II



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STANDING COMMITTEE ON  
FINANCE AND ECONOMIC AFFAIRS



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DES AFFAIRES FINANCIÈRES ET ÉCONOMIQUES

LEGISLATIVE ASSEMBLY  
ASSEMBLÉE LÉGISLATIVE

The Honourable Hugh Edighoffer, M.P.P.  
Speaker of the Legislative Assembly

Sir,

Your Standing Committee on Finance and Economic Affairs  
beg leave to present its Report and commends it for  
adoption to the House.

A handwritten signature in cursive script, reading 'David Cooke'.

David Cooke, M.P.P. (Kitchener)  
Chairman

Queen's Park  
April 1987





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PART I  
THE NEW BUDGET PROCESS

Overview

The Standing Orders of the Legislative Assembly of Ontario specify that at the commencement of each Session of Parliament, the membership of the Standing Committee on Finance and Economic Affairs be appointed for the duration of the Session. The Committee's mandate is as follows:

to consider and report to the House its observations,  
opinions and recommendations on the fiscal and  
economic policies of the Province . . . .

In the 1985 Ontario Budget, the Treasurer initiated changes in the budget process with the release of a discussion paper entitled "Reforming the budget Process" which outlined proposals to increase the participation of the Legislature in the budget process and generally to enhance the participation in the pre-budget consultations. Subsequently, in the 1986 Ontario Budget, the Treasurer acknowledged the appointment of the Legislative Committee on Finance and Economic Affairs and confirmed that the consultations for the 1987 budget would begin in the autumn (1986) and secondly that a paper would be presented to assist in focussing the debate. The Economic and Fiscal Review was prepared by the Ministry of Treasury and Economics in November, 1986 with the objective of providing a comprehensive and formalized statement on Ontario's economic and financial outlook at the beginning of the budget consultation cycle.

The reforms to the budget process were intended to enhance the consultative process and thereby ensure that the Government and the Legislature are more aware of the interests and needs of Ontario residents. In addition to in camera sessions with the Treasurer, the Committee invited groups and individuals to present written submissions and also upon request, to give oral presentations. This process has provided a forum to develop recommendations on a wide range of fiscal and economic issues for consideration by the Government in the preparation of the 1987 Ontario Budget.





The general requirements of the Pre-Budget Hearings are as follows:

- briefs prepared by groups will be tabled and transcripts of the consultations made available,
- members of the Committee will have the opportunity to offer varying perspectives to discussions on a wide range of issues,
- the Committee will encourage participation from groups that have not previously taken part in the process and from private individuals,
- the Committee will hold hearings and be open for media coverage, and
- the Committee will synthesize the views expressed and provide recommendations to the Government.

Following a study of the Economic and Fiscal Review and consultations with the Ministry of Treasury and Economics, the Committee published its intent to proceed with the pre-budget consultation process in December, 1986.

To ensure that representative groups from all sectors of the economy were identified, a detailed list of potential delegations was prepared which included, for example, universities and research organizations, professional associations, labour groups, financial institutions, individual corporations, interest groups, government and other organizations and individuals.

The Committee received approximately seventy written submissions and had the opportunity to discuss numerous issues with over thirty delegations starting in early February, 1987 and completing the process in late March 1987. The response from the public was both encouraging and provocative, resulting in a well articulated spectrum of issues and concerns for the Committee to review in its final deliberations.

The Committee has reached a consensus on a number of issues of importance to the continued growth and development of the Province of Ontario. The following recommendations represent the final statement of the Committee in the pre-budget consultation process for the 1987 Ontario Budget.

The Chairman and the members of the Committee extend their appreciation to the numerous individuals and groups who submitted briefs and to those that appeared before the Committee.





### Evaluation

The Standing Committee on Finance and Economic Affairs has expressed its endorsement jointly on the pre-budget consultation process and it is hoped that the results could give direction of value to the Government in the preparation of the Ontario Budget, 1987.

The members further concurred on several observations as follows:

- the Committee has had the opportunity to review the assumptions and conclusions in the Economic and Fiscal Review, prepared by the Ministry of Treasury and Economics, and is in full agreement that the document was well prepared and essential to the consultative process, and that the same format should be used in the future for comparative purposes,
- the Ministry of Treasury and Economics should view the information requested by the Committee during the review of the Economic and Fiscal Review document as appendix material and in the preparation of such documents in the future, consideration should be given to the concerns of the Committee as expressed in the meetings with the Ministry officials,
- the Committee forum should be seen by the public as supplementary and complementary to the Treasurer's consultations, and
- the pre-budget consultation process, in the Committee forum, should be continued and expanded.

The Committee, therefore, recommends that:

1. **The pre-budget consultation process, in the Committee forum, should be continued and expanded. The Legislature should enlarge the time schedule for the Committee on Finance and Economic Affairs, given the relative size and requirements of its agenda.**

Furthermore, the Committee is of the opinion that all sectors must be actively involved in the pre-budget consultative process in order to arrive at a well balanced and representative list of recommendations. The response from the primary sector, in particular, was not as good as expected. With the exception of the Catholic Rural Life Conference group and the Ontario Mining Association, the primary sector, namely agriculture, mining and forestry, did not participate in the Committee's pre-budget consultation process. All sectors should be encouraged to increase their participation in the provincial economic review.

The Committee, therefore, recommends that:

2. **The Committee should encourage the increased participation of all sectors in the provincial economic review.**



## PART II OBSERVATIONS AND RECOMMENDATIONS

### Principles

The preparation of a fiscal framework involves the evaluation of the broad financial limitations facing the government and the determination of appropriate expenditures. The general decisions made at this stage precede the final budget preparation. The Committee has considered the performance and prospects of the Ontario economy and the revenue structure, during the delegation phase and then in camera.

Following this initial review phase of the economic and fiscal components of the provincial economy, the Committee concluded that several general principles were of central importance in the determination and formulation of recommendations on the following budgetary components.

- Ontario's Economic Outlook
- Ontario's Competitive Position
- Regions and Communities
- Quality of Life
- Federal-Provincial Issues
- Fiscal Management

The Committee endorses the following general fiscal principles in the discussion of the budgetary components:

- The general goal should be the achievement of a balanced operating account, recognizing appropriate deviations, depending on good or bad economic conditions, and
- the promotion of government effectiveness and efficiency through management initiative and increased accountability.

### Ontario's Economic Outlook

Ontario's economy is now in its fifth year of expansion following the recession of 1981-1982. The strong recovery in Ontario is largely attributable to the performance of the manufacturing sector. Of particular importance is the growth in automobile production which continues to be central in the recovery period.





The Committee has reviewed the submissions and comments from the primary, manufacturing, construction and utilities and the service sectors. The Committee heard evidence that the Ontario economy's growth is moving into a period of stabilization.

A pronounced interest was shown by several delegations in the possible ramifications of the current Free Trade discussions with the United States. The Committee heard concerns about the reduction in job creation, increasing oil prices, import pressures on domestic firms and their declining competitiveness, as well as interest rates and matters dealing with currency fluctuations.

The Committee, therefore, recommends that:

3. The Government should take into account that the growth of the provincial economy, following the 1981-82 recession, has started to stabilize. Efforts should be made to improve those sectors that have not yet recovered to the degree that the economy has as a whole.

#### Ontario's Competitive Position

In recent years the competitiveness of industry has been an important factor in the strength of the provincial economy. The substantial investments required by industry to be truly competitive in the domestic and international market—places is dependent upon many factors which include a highly skilled work force, access to research and new technology, active market promotion and government support through policies and programs.

The Province supports good, fair and responsible trade relations with the United States. Historically, government policy has been to promote and solidify access to American markets, and at the same time, to attempt to build other world markets. The success of the Auto Pact has been of major importance to the growth and development of the Province.

#### Investing in Education

Research in several disciplines such as engineering, medicine, science, education and information technology is central to the continued economic development and prosperity of Ontario.



Modern information technology, for example, is a major growth area in the provincial economy, dependent directly on new research and a well educated work force. The Committee recognizes the major role that post-secondary research has in the economy and encourages funding for pure research.

The Committee, therefore, recommends that:

4. **The Government should provide additional funds for the purpose of pure research in post-secondary institutions.**

In addition to the emphasis placed on post-secondary institutions, the Committee has recognized the importance of quality education at the primary and secondary levels in Ontario. It has been agreed that funding for primary schools should more closely approximate that of secondary schools.

It is the Committee's position that primary schools have assumed increasing responsibilities of a social service nature in the community, and that new programs are available through increasingly better qualified staff.

The high student drop-out rate, which is in the order of forty percent in secondary schools, is a major concern and should be addressed. The longer term prospects for the group of students who drop-out can be addressed only partly, through adult re-training programs.

The proposed increased funding should be the direct responsibility of the Province and there should be less dependence upon municipal property tax for educational funds than is the case today.

The Committee, therefore, recommends that:

5. **The Government should increase, in a phased program, its share of funding to elementary and secondary education to 60% of total expenditures and property tax should be proportionately decreased through an appropriate tax mechanism. The Committee is of the opinion that property tax is not the most appropriate basis for education revenue. A formula is required to ensure that the taxpayer benefit directly from the increased role to be assumed by the Province.**



### Policy and Program Impact Analyses

To ensure the continued competitiveness of all industries in Ontario that currently have a stable market share in domestic and international markets, the Committee concurs that new policies and legislation should be carefully monitored to ensure that the objectives have been achieved and that related sectors have not been damaged. The concern in this area has been fostered by numerous factors including the current discussions on Free Trade with the U.S., growing competition from low cost producers in other countries, and the increasing pressures being placed on domestic auto manufacturers and automotive parts suppliers in the current highly competitive market-place.

The Committee, therefore, recommends that:

6. The Government should give consideration to the development of a program specifically for the purpose of monitoring, on a continuous basis, the socio-economic impact of new policies and legislation on the people and economy of the Province. The program objectives would be to detect both the potentially negative impact of government actions and beneficial results, with regard to the viability of the economy, in the domestic and international markets.

### Regulatory Procedures

The construction industry in Ontario performs in a highly regulated environment. The objective of these regulations is to ensure the safety and welfare of the public, and the codes have generally been highly successful in this regard.

The Committee is of the opinion that the regulations governing housing and non-housing construction should be consolidated and rationalized at all levels of government with the objectives of expediting the approvals process, and reducing costly delays in approvals for the industry, while maintaining high standards. Hopefully, this streamlining of the bureaucracy will result in lower costs for new housing.





The Committee, therefore, recommends that:

7. The Government should consolidate and simplify regulatory procedures which govern both residential and non-residential construction, in an effort to consolidate and rationalize, and thereby expedite the current approval procedures at the municipal, regional and provincial levels of government in Ontario.

#### Investing in Entrepreneurship

The Committee had the opportunity to discuss issues of importance to both small and large business interests from various regions of the Province. The Committee supports the view that Ontario industries in the developmental stage, such as the Ontario grape and wine industry, should receive promotional support from the Province. For example, Ontario could promote the grape and wine industry by lifting the freeze on the development of wine kiosks and by the elimination of taxation on products used exclusively for wine tastings, for which wineries do not receive an income.

#### "Full Employment"

The job creation forecast by the Ministry of Treasury and Economics for 1986 was 156,000 and 114,000 in 1987. Employment growth is seen to continue to be greater than the labour force growth, resulting in a decrease in the unemployment rate.

The Committee fully supports the principle of "full employment". The concern for youth employment is a major problem of great proportion with long term negative implications on the future of Ontario, and more specifically on the social and economic fibre of the Province. The unemployment rate for youth continues to be higher than that for adults. Nevertheless, recent figures confirm the Committee's concern about the lack of job opportunities for older workers.

The Committee, therefore, recommends that:

8. The Government should adopt a policy goal of "full employment". It must develop a strategic program that would establish a phased approach to realize this objective.



### Regions and Communities

The Committee has focussed a great deal of attention on the recent economic performance of the Province. Of particular interest is the uneven recovery, which is evident in some regions and not others. As discussed earlier, the manufacturing sector has been a strong economic generator in southern Ontario, but the northern and eastern parts of the Province are in need of new initiatives to stimulate growth and development.

### Economic Development

The objectives of the Committee are first to recognize the substantial long-term investment that the residents have in these regions, and secondly, to develop government policies and programs which recognize the value of the existing investments, of both a social and economic nature, in these communities in northern and eastern Ontario.

More specifically, the Government should look into job creation through new training programs and through improvements to the existing transportation infrastructure as well as capital works projects. It is essential that labour, industry and local communities recognize the need for a joint initiative to undertake a broadly based economic development program with the Province. New funding mechanisms are required to address the distinct needs of each region.

The Committee, therefore, recommends that:

9. The Government in cooperation with labour, industry and local communities should develop a clear and consistent economic development program, comprised of job creation and the development and diversification of the economies of northern and eastern Ontario. This program could be achieved under the auspices of a newly created Heritage Development and Economic Diversification Fund for each region.
10. The Government, in conjunction with the Federal Government, should address the need for increased transportation capital works projects and recognize the importance of maintenance to the existing road transportation network over the next five years. Additional taxation revenues from the transportation sector should be considered to partially fund this program.





### Quality of Life

The provincial social program's mandate is to provide benefits to the residents of Ontario over the long-term. The Committee recognizes both the mounting costs of these programs and their essential nature to ensure high standards in the areas of health, the environment, community support services such as day care, and housing.

### Community Services

The municipal level of government in Ontario has been attempting to address very costly fiscal concerns in the areas of hard and soft services. Such problems have wider implications for society generally and should be addressed on a regional basis with a firm commitment for support from the Provincial Government.

The Committee specifically addressed the problem of the deterioration of older water and sewer mains, sewage pollution and waste management programs. The increasing cost of meeting the program costs of these problems has been escalating and the municipalities should receive new provincial funding to maintain established standards.

The Committee, therefore, recommends that:

11. The Government should evaluate the increasing financial responsibilities at the municipal government level with the objective of offering relief to the growing municipal tax burden. Of particular concern are environmental pollution, the deterioration of basic municipal services infrastructure and the increasing demand for both hard and soft services.

### Health

The Committee recognizes the increasing percentage of Ontario's expenditures required to maintain the health care system. Major expenditures have been made for operating and capital purposes, and for health professionals in the delivery of services through the Ontario Health Insurance Plan.



The Committee has decided to stress the increasing high cost of health services, and to confirm its support for continued adequate funding. It is recommended that consideration be given to directing funds into innovative and alternative programs. The Committee emphasizes the need for expenditure control through increasingly more efficient programs and improved management techniques.

The Committee, therefore, recommends that:

12. The Government should address growing health care costs. The Government must ensure that adequate funding for health care is guaranteed. Growing health care costs must be controlled through the use of cost effective and more efficient programs; more efficient management techniques; alternate delivery methods, and institutional management incentives.

### Federal-Provincial Issues

#### Tax Reform

In its February 1987 Budget the Federal Government made a firm commitment that it will proceed with a comprehensive tax reform which will be an integrated proposal to reform all three areas of the tax system – personal, corporate and federal sales tax. The Federal Government's stated objectives are generally as follows:

- to reduce tax rates to promote growth, investment, savings and job creation,
- to reduce tax preferences and broaden the tax base,
- to lower personal income tax rates,
- to reduce corporate tax preferences, and
- to broaden the federal sales tax base, lower the rates and ensure equal treatment of import and domestic goods.

The Committee endorses a need for tax reform in Ontario.



The Committee, therefore, recommends that:

13. The Government should prepare a detailed review and assessment of the full impact on Ontario of the proposed federal tax reform, immediately following the announcement by the Federal Government. This study should be submitted to the Committee for consideration, as soon as possible upon completion, in order that appropriate recommendations can be made.

#### Fiscal Management

The Province has in the past recognized the importance of fiscal responsibility in budget statements. The foundation of this approach to fiscal management is that current costs are met by current revenues and that borrowing is limited to projects of enduring benefit when economic stimulus is required. The Committee fully endorses this position as outlined in the Ontario Budget, 1986 and furthermore emphasizes the importance of accurate projections of revenues and expenditures, to avoid significant post budget revisions.

The Committee, therefore, recommends that:

14. The Government should improve its forecasting of revenues and expenditures, to mitigate the possibility of significant post-budget adjustments.
15. The Government should address its operating position, that is the difference between total current revenues and total current expenditures, based on both social and economic responsibilities.





PART III  
LIST OF RECOMMENDATIONS

The full text of all recommendations in this Report are listed below. The Standing Committee on Finance and Economic Affairs recommends that:

1. The pre-budget consultation process, in the Committee forum, should be continued and expanded. The Legislature should enlarge the time schedule for the Committee on Finance and Economic Affairs, given the relative size and requirements of its agenda.
2. The Committee should encourage the increased participation of all sectors in the provincial economic review.
3. The Government should take into account that the growth of the provincial economy, following the 1981-82 recession, has started to stabilize. Efforts should be made to improve those sectors that have not yet recovered to the degree that the economy has as a whole.
4. The Government should provide additional funds for the purpose of pure research in post-secondary institutions.
5. The Government should increase, in a phased program, its share of funding to elementary and secondary education to 60% of total expenditures and property tax should be proportionately decreased through an appropriate tax mechanism. The Committee is of the opinion that property tax is not the most appropriate basis for education revenue. A formula is required to ensure that the taxpayer benefit directly from the increased role to be assumed by the Province.
6. The Government should give consideration to the development of a program specifically for the purpose of monitoring, on a continuous basis, the socio-economic impact of new policies and legislation on the people and economy of the Province. The program objectives would be to detect both the potentially negative impact of government actions and beneficial results, with regard to the viability of the economy, in the domestic and international markets.
7. The Government should consolidate and simplify regulatory procedures which govern both residential and non-residential construction, in an effort to consolidate and rationalize, and thereby expedite the current approval procedures at the municipal, regional and provincial levels of government in Ontario.
8. The Government should adopt a policy goal of "full employment". It must develop a strategic program that would establish a phased approach to realize this objective.



9. The Government in cooperation with labour, industry and local communities should develop a clear and consistent economic development program, comprised of job creation and the development and diversification of the economies of northern and eastern Ontario. This program could be achieved under the auspices of a newly created Heritage Development and Economic Diversification Fund for each region.
10. The Government, in conjunction with the Federal Government, should address the need for increased transportation capital works projects and recognize the importance of maintenance to the existing road transportation network over the next five years. Additional taxation revenues from the transportation sector should be considered to partially fund this program.
11. The Government should evaluate the increasing financial responsibilities at the municipal government level with the objective of offering relief to the growing municipal tax burden. Of particular concern are environmental pollution, the deterioration of basic municipal services infrastructure and the increasing demand for both hard and soft services.
12. The Government should address growing health care costs. The Government must ensure that adequate funding for health care is guaranteed. Growing health care costs must be controlled through the use of cost effective and more efficient programs; more efficient management techniques; alternate delivery methods, and institutional management incentives.
13. The Government should prepare a detailed review and assessment of the full impact on Ontario of the proposed federal tax reform, immediately following the announcement by the Federal Government. This study should be submitted to the Committee for consideration, as soon as possible upon completion, in order that appropriate recommendations can be made.
14. The Government should improve its forecasting of revenues and expenditures, to mitigate the possibility of significant post-budget adjustments.
15. The Government should address its operating position, that is the difference between total current revenues and total current expenditures, based on both social and economic responsibilities.





**APPENDIX A**  
**Order of Reference**



**STANDING ORDERS OF THE LEGISLATIVE ASSEMBLY**  
(April 1986)

- No. 90 (e) - Standing Committee on Finance and Economic Affairs which is empowered to consider and report to the House its observations, opinions and recommendations on the fiscal and economic policies of the Province and to which all related documents shall be deemed to have been referred immediately when the said documents are tabled;



**APPENDIX B**  
**List of Witnesses**





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PRE-BUDGET HEARINGS

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2nd Session, 33rd Parliament

1987

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**APPENDIX C**  
**List of Exhibits**





STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

EXHIBITS - PRE BUDGET REVIEW  
TREASURER'S PAPER - ECONOMIC AND FISCAL REVIEW

- EXHIBIT NO. 2/06/51      MINISTRY OF TREASURY &  
ECONOMICS - Economic & Fiscal  
Review, Province of Ontario  
dated November 1986.
- EXHIBIT NO. 2/06/2      MINISTRY OF TREASURY &  
ECONOMICS - brief dated October  
1986 'Worker Co-Operatives in  
Ontario : An Idea Whose Time  
Has Come, prepared by Worker  
Ownership Development  
Federation.
- EXHIBIT NO. 2/06/4      Submission from David Bond,  
Research Officer, issues  
arising with respect to  
document entitled "Economic &  
Fiscal Review.
- EXHIBIT NO. 2/06/5      Submission from Mr. B.  
Mackenzie - situation report  
prepared by John E. Peters  
"Redrawing America's Industrial  
Map" dated April 25, 1986.
- EXHIBIT NO. 2/06/6      LEGISLATIVE RESEARCH SERVICE -  
submission from Barbara Cotton  
on Questions Raised by  
Committee Members pertaining to  
the Economic and Fiscal Review.
- EXHIBIT NO. 2/06/7      MINISTRY OF TREASURY &  
ECONOMICS - study entitled  
"Ontario Study of the Service  
Sector" dated December 1986.
- EXHIBIT NO. 2/06/8      LEGISLATIVE RESEARCH SERVICE -  
paper prepared by Ray McLellan,  
Research Officer, "Pre Budget  
Consultation, Possible  
Witnesses: Sectoral Breakdown".
- EXHIBIT NO. 2/06/9      LEGISLATIVE RESEARCH SERVICE -  
paper prepared by David Bond,  
Research Officer, on Issues  
arising with respect to the  
document entitled 'Economic &  
Fiscal Review'.



EXHIBIT NO. 2/06/3	THE ONTARIO NATURAL GAS ASSOCIATION - submission, "Policies to Strengthen the Ontario Economy" dated December 1986.
EXHIBIT NO. 2/06/10	WORKER OWNERSHIP DEVELOPMENT FOUNDATION - submission, "An Idea Whose Time has Come" dated October, 1986.
EXHIBIT NO. 2/06/11	ONTARIO TRUCKING ASSOCIATION - submission on the Taxation of Diesel Fuel in Ontario dated November 26, 1986.
EXHIBIT NO. 2/06/12	ONTARIO HYDRO - document "Long Term Economic Outlook, Annual Review" most recent economic forecast dated September 1986, prepared by W. Tharp, L. Shum, E. Crawford, A. Zerek, P. Spiro, M. Angastiniotis and B. Carlton.
EXHIBIT NO. 2/06/14	DEPARTMENT OF FINANCE, CANADA - Release of Policy Framework for Canada's Financial Institutions tabled in Parliament "New Directions for the Financial Sector" dated Ottawa, December 18, 1986.
EXHIBIT NO. 2/06/15	SAUNCO CONSULTANTS - submission with respect to the 1987 Ontario Budget signed G. C. Saunders, Manager.
EXHIBIT NO. 2/06/16	MINISTRY OF TREASURY AND ECONOMICS - submission from the Economic Policy Branch "Comparison of Past Ontario Budget Forecasts with Actual Results".
EXHIBIT NO. 2/06/17	STUDENTS UNION RYERSON POLYTECHNICAL INSTITUTE, SURPI - submission "The Years of Living Dangerously" prepared by Gerald D. Jeffcoat.



EXHIBIT NO. 2/06/18	Submission dated 29 December 1986 from Donald D. Fox stating that a Provincial Emergency Fund should be established by landlords.
EXHIBIT NO. 2/06/19	Submission dated 27 December 1986 from Charlie Fillmore with comments and recommendations on the 1987 Ontario Budget Review.
EXHIBIT NO. 2/06/20	THE CORPORATION OF THE CITY OF OSHAWA - submission dated 30 December 1986 with two overall suggestions for changing the budgeting process for 1987 from D. W. Wilson.
EXHIBIT NO. 2/06/21	Research Officer, David Bond - submissions entitled "The Budget Speech" delivered in the House of Commons by Hon. Michael Wilson dated 26 February 1986; "Ontario Study of the Service Sector", Government of Ontario dated December 1986; "Ministry of Finance, Canada Newsrelease - International Banking Centers Report" dated 1 April 1986; Background material.
EXHIBIT NO. 2/06/22	ONTARIO NURSES' ASSOCIATION - brief to the 1987 Ontario Budget dated 15 January 1987.
EXHIBIT NO. 2/06/23	COALITION FOR PUBLIC EDUCATION, RENFREW COUNTY CHAPTER - letter dated 6 January 1987 with comments on the 1987 budget signed Renton H. Patterson.
EXHIBIT NO. 2/06/24	VINCENT FARM EQUIPMENT LTD. - submission on the Ontario Capital Tax as it relates to Farm Equipment Dealers signed Warren W. Vincent, President.
EXHIBIT NO. 2/06/25	CANADIAN PARAPLEGIC ASSOCIATION - submission dated 14 January 1987 to include sufficient allocation in the upcoming budget, signed W. Kirby Rowe, Executive Director.



EXHIBIT NO. 2/06/26	C.D. HOWE INSTITUTE, OBSERVATION #28 - submission "New Stresses on Confederation - Diverging Regional Economics", by Edward A. Carmichael.
EXHIBIT NO. 2/06/27	Submission from Mr. Stanley Crow comments on the 1987 Ontario Budget Review.
EXHIBIT NO. 2/06/28	ONTARIO ASSOCIATION FOR PROPERTY TAX REFORM - submission from R. Birch, President "The Assessment and Economic Affairs 1987 Ontario Budget".
EXHIBIT NO. 2/06/29	Siegfried (Ziggy) Kleinau - letter regarding huge deficit of Ontario Hydro.
EXHIBIT NO. 2/06/30	Siegfried (Ziggy) Kleinau - submission on the 1987 Ontario Budget.
EXHIBIT NO. 2/06/31	ONTARIO PUBLIC SCHOOL TRUSTEES' ASSOCIATION - submission to the 1987 Ontario Budget.
EXHIBIT NO. 2/06/32	Eddie Sargent, M.P.P., Grey- Bruce - submission VIT - A "Democratic Approval to Taxation".
EXHIBIT NO. 2/06/33	ONTARIO TEACHERS' FEDERATION - submission to the 1987 Ontario Budget.
EXHIBIT NO. 2/06/34	ONTARIO PUBLIC SCHOOL TEACHERS' FEDERATION - submission to the 1987 Ontario Budget.
EXHIBIT NO. 2/06/35	THE YORK REGION BOARD OF EDUCATION - submission respecting the establishment of the 1987 Ontario Budget.
EXHIBIT NO. 2/06/36	ONTARIO CONFEDERATION OF UNIVERSITY FACULTY ASSOCIATION - submission on the provincial budget.





EXHIBIT NO. 2/06/37	BELL CANADA - submission respecting the 1987 Ontario Budget.
EXHIBIT NO. 2/06/38	ONTARIO MOTOR LEAGUE - submission presenting views on fiscal policy affecting motorists.
EXHIBIT NO. 2/06/39	COUNCIL OF ONTARIO UNIVERSITIES - submission "Direction for Higher Education in Ontario"
EXHIBIT NO. 2/06/40	ONTARIO MINING ASSOCIATION - submission to the 1987 Ontario Budget.
EXHIBIT NO. 2/06/41	ONTARIO ROAD BUILDERS ASSOCIATION - submission with observations, opinions and recommendations on the fiscal and economic policies of the Province of Ontario.
EXHIBIT NO. 2/06/42	IBM CANADA LTD. - submission in respect to the 1987 Ontario Budget.
EXHIBIT NO. 2/06/43	THE ONTARIO COALITION FOR BETTER DAYCARE - submission regarding the formulation of the 1987 Ontario Budget.
EXHIBIT NO. 2/06/44	Mrs. Caldwell, Ottawa - submission with her observations, opinions and recommendations to the 1987 Ontario Budget.
EXHIBIT NO. 2/06/45	COALITION FOR LEAD-FREE GASOLINE - submission for adjustment in the gasoline tax.
EXHIBIT NO. 2/06/46	THE CATHOLIC RURAL LIFE CONFERENCE - submission regarding the 1987 Ontario Budget.
EXHIBIT NO. 2/06/47	ONTARIO SOCIETY FOR AUTISTIC CITIZENS - submission regarding the 1987 Ontario Budget.



EXHIBIT NO. 2/06/48	CANADIAN FEDERATION OF INDEPENDENT BUSINESS - submission regarding pre- budget.
EXHIBIT NO. 2/06/49	ONTARIO FEDERATION OF LABOUR - submission "An Economic Programme to Make Ontario Work".
EXHIBIT NO. 2/06/49(a)	ONTARIO FEDERATION OF LABOUR - submission of document "Some of Labour's Alternatives to the present Economic Dilemma".
EXHIBIT NO. 2/06/50	NEWMARKET LOCAL ARCHITECTURAL CONSERVATION ADVISORY COMMITTEE - submission to the 1987 Ontario Budget Review.
EXHIBIT NO. 2/06/51	COUNCIL OF ONTARIO UNIVERSITIES - submission "Bottoming Ontario - Review 1982-83 to 1985-86".
EXHIBIT NO. 2/06/52	ST. RAPHAEL'S NURSING HOMES LTD. - submission to the 1987 Ontario Budget.
EXHIBIT NO. 2/06/53	THE CANADIAN MANUFACTURER'S ASSOCIATION - pre-budget submission.
EXHIBIT NO. 2/06/54	CANADIAN LIFE AND HEALTH INSURANCE ASSOCIATION - submission in preparation for the 1987 Ontario Budget.
EXHIBIT NO. 2/06/55	THE BOARD OF TRADE OF METRO TORONTO - submission on the 1987 Ontario Budget as well as other specific areas of the Ontario economy.
EXHIBIT NO. 2/06/56	DAVID BOND, RESEARCH OFFICER - Summary of Pre-Budget submissions.
EXHIBIT NO. 2/06/57	ONTARIO ROAD BUILDERS ASSOCIATION - supplementary submission.
EXHIBIT NO. 2/06/58	ONTARIO HYDRO - submission of the Short-Term Economic Outlook - Winter Review.



EXHIBIT NO. 2/06/59	COUNCIL OF ONTARIO UNIVERSITIES - The Financial Position of Universities in Ontario, 1987.
EXHIBIT NO. 2/06/60	IBM CANADA LTD. - submission on the 1987 Provincial Pre-Budget.
EXHIBIT NO. 2/06/61	ONTARIO FEDERATION OF STUDENTS - submission Students Working Together for Change.
EXHIBIT NO. 2/06/62	ONTARIO PUBLIC SCHOOL TEACHERS' FEDERATION - supplementary submission.
EXHIBIT NO. 2/06/63	ONTARIO PUBLIC SCHOOL TEACHERS' FEDERATION - A Blueprint for Justice - Update.
EXHIBIT NO. 2/06/64	WILFRID LAURIER UNIVERSITY, (BARRY M. GOUGH) - Written submission dated February 11, 1987.
EXHIBIT NO. 2/06/65	SOCIAL PLANNING COUNCIL OF KITCHENER-WATERLOO - "Some Ways in which the Federal Budget Affects Low- and Middle-Income Earners in Canada", Written submission dated February 1987.
EXHIBIT NO. 2/06/66	C.D. HOWE INSTITUTE - "Improving Regional Balance in the Canadian Economy: A Leadership Role for Ontario", Oral submission dated February 12, 1987.
EXHIBIT NO. 2/06/67	PROVINCIAL AFFAIRS, ONTARIO, JUDITH MCDONALD ANDREW - Written submission.
EXHIBIT NO. 2/06/68	ONTARIO FEDERATION OF LABOUR - Written submission dated March 26, 1987.
EXHIBIT NO. 2/06/69	THE BOARD OF TRADE OF METROPOLITAN TORONTO - Supplementary comments, dated March 12, 1987.
EXHIBIT NO. 2/06/70	REPORT OF THE ONTARIO YOUTH COMMISSIONER, 1986 - Ken Dryden, Written submission.





EXHIBIT NO. 2/06/71	ONTARIO NURSES ASSOCIATION - Written submission dated February 23, 1987.
EXHIBIT NO. 2/06/72	THE ASSOCIATION OF CANADIAN DISTILLERS, OTTAWA - Oral submission dated March 25, 1987.
EXHIBIT NO. 2/06/73	LEGISLATIVE RESEARCH SERVICES, ANNE ANDERSON, DAVID BOND & RAY MCLELLAN - The Summaries of Written Briefs, Pre-Budget Hearings, 1987.
EXHIBIT NO. 2/06/74	PAT AND HELEN CARTER - Independent Distributors of Dickie Dee Ice Cream, Kitchener Waterloo, Written Submission.
EXHIBIT NO. 2/06/75	ASSOCIATION OF MUNICIPALITIES OF ONTARIO - Written submission dated March 1987.
EXHIBIT NO. 2/06/76	ONTARIO CHAMBER OF COMMERCE - Written submission dated March 23, 1987.
EXHIBIT NO. 2/06/3A	ONTARIO NATURAL GAS ASSOCIATION - Oral presentation, March 24, 1987.
EXHIBIT NO. 2/06/77A, B & C	THE CONFERENCE BOARD OF CANADA - "Regional Disparities to Persist in 1987", "Slower Economic Growth and Higher Inflation in 1987-88", "Consumer Attitudes & Buying Intentions", Written submissions dated January 1987.
EXHIBIT NO. 2/06/78A,B C, D & E	MINISTRY OF TREASURY AND ECONOMICS, OFFICE OF ECONOMIC POLICY - "Labour Force Growth Projection: 1985-2000", "Ontario Population Projections: 1986-2006", "Trade and Intellectual Property", "Sensitivity of the Ontario Outlook to Changes in Assumptions", "Ontario's Economic Expansion in a Historical Context", Written submissions dated March 1987.



EXHIBIT NO. 2/06/79

DR. CLIVE B. MORTIMER,  
PROFESSOR, DEPT. OF  
OPHTHALMOLOGY, UNIVERSITY OF  
TORONTO - Oral submission.

EXHIBIT NO. 2/06/80

ONTARIO HOME BUILDERS'  
ASSOCIATION - "Submission to  
the Treasurer of Ontario and to  
the Standing Committee on  
Finance and Economic Affairs of  
the Ontario Legislature",  
"Submission on Proposed  
Modifications to the Capital  
Tax Provisions of the Ontario  
Corporations Tax Act", Oral  
presentation March 26, 1987.

EXHIBIT NO. 2/06/81

STANDING COMMITTEE ON FINANCE  
AND ECONOMIC AFFAIRS, HOUSE OF  
COMMONS, OTTAWA - News Release  
dated March 20, 1987.

EXHIBIT NO. 2/06/82

STANDING COMMITTEE ON FINANCE  
AND ECONOMIC AFFAIRS, HOUSE OF  
COMMONS, OTTAWA - Fifth Report,  
Interest Rates on Credit Cards  
in Canada, Written submission.

EXHIBIT NO. 2/06/83

ONTARIO FEDERATION OF STUDENTS  
- Brief Presented to the  
Honourable Robert F. Nixon,  
Treasurer of Ontario and  
Minister of Economics - Written  
submission dated March 1987.

EXHIBIT NO. 2/06/84

WINE COUNCIL OF ONTARIO -  
"Ontario Wine Industry  
Presentation to the Ontario  
Standing Committee on Finance  
and Economic Affairs", Oral  
submission, March 26, 1987.

EXHIBIT NO. 2/06/85

URBAN DEVELOPMENT INSTITUTE,  
ONTARIO - "Brief to the  
Standing Committee on Finance  
and Economic Affairs", Oral  
submission, March 26, 1987.

EXHIBIT NO. 2/06/86

WOMEN'S HEALTH INTERACTION -  
Written submission dated March  
26, 1987.



EXHIBIT NO. 2/06/87	SOCIAL PLANNING COUNCIL OF KITCHENER-WATERLOO - Written submission dated March 1987.
EXHIBIT NO. 2/06/88	LEGISLATIVE RESEARCH SERVICE, DAVID BOND, RESEARCH OFFICER - Written submission 536/86/87, dated December 1986.
EXHIBIT NO. 2/06/89	LEGISLATIVE RESEARCH SERVICE, RAY MCLELLAN, RESEARCH OFFICER - Pre-Budget Consultation Process, 1987, Oral Presentations, March 1987.
EXHIBIT NO. 2/06/90	TOWNSHIP OF IGNACE - "Indebtedness of Township of Ignace Sewer and Water", Written submission dated March 20, 1987.









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# Standing Committee on Finance and Economic Affairs

Pre-Budget Consultation, 1988

1st Session 34th Parliament  
36 Elizabeth II





The Honourable Hugh Edighoffer, M.P.P.  
Speaker of the Legislative Assembly

Sir,

Your Standing Committee on Finance and Economic Affairs  
beg leave to present its Report and commends it for  
adoption to the House.

A handwritten signature in cursive script, appearing to read 'D. Cooke'.

David Cooke, M.P.P. (Kitchener)  
Chairman

Queen's Park  
March 1988



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## INTRODUCTION

The Standing Committee on Finance and Economic Affairs is pleased to present to the Legislative Assembly its report containing recommendations and concerns relating to the Budget and to tax reform.

Following the release in December 1987 of the Economic Outlook and Fiscal Review: Ontario 1987 and discussions with the Ministry of Treasury and Economics, the Committee held pre-budget consultations and tax reform hearings between February 15 – 23, 1988. To ensure that all Ontarians had an opportunity to participate, the hearings were extensively advertised in print media across the province.

Written briefs were submitted from over forty organizations and individuals, including fifteen that were received in the late summer of 1987 in anticipation of the Committee's hearings on tax reform. These hearings did not take place, due to the provincial election; however, the Committee has considered these submissions in its deliberations.

The Committee had the opportunity to discuss many issues with over twenty delegations. The witnesses raised thought-provoking concerns and provided the Committee with valuable assistance in its deliberations. The Committee believes that this process of involving the citizens of Ontario in the pre-budget consultations enables the government and the Legislature to be more aware of their interests and needs. The Chairman and the members of the Committee wish to thank each of the contributors of both oral and written submissions for sharing their knowledge and experience with the Committee.

In its deliberations, the Committee acknowledged the breadth of recommendations and concerns submitted by the witnesses. At the same time, it was concerned that limitations on the number of witnesses that the Committee was able to hear in the time available may have prevented it from hearing from a fully representative sample of Ontarians. This report therefore draws on and includes many of the issues raised by the witnesses but ultimately represents the concerns and priorities of the Committee. A full list of the recommendations and concerns of the witnesses is appended to this report (Appendix A), and will be brought to the attention of the appropriate ministries.

The Committee has extensively debated each of the issues raised. It is of the opinion that, as a Committee, it was important to achieve unanimity in its recommendations concerning these issues. Each of the decisions contained in this report, therefore, has been arrived at by consensus, and represents the recommendations of all members of the Committee. While the Committee believes consensus recommendations to be a priority, it acknowledges that the need to accommodate differing views may result in less specific recommendations that would be achieved under a system of majority vote.

## PRE-BUDGET CONSULTATION PROCESS

The pre-budget consultation process has proved to be an effective mechanism for enhancing the role of the Legislature and the participation of the public in the budget making process. The Committee would like to make certain that this process occurs within an adequate time frame and in such a manner that allows the committee forum to continue to be an effective means of consultation with the Treasurer concerning the budget.

To provide both members of the Committee and interested members of the public with a better assessment of the contribution the process makes to government budgetary policies, the pre-budget process should be supplemented by a post-budget policy review which would involve an examination of the extent to which the budget reflected the recommendations of the Committee.

In its 1987 report, this Committee recommended that "The pre-budget consultation process, in the Committee forum, should be continued and expanded."

In keeping with the spirit of that recommendation and to better enable the Committee to assess its effectiveness, the Committee recommends that:

1. The pre-budget consultation process should include a review with the Treasurer and Treasury staff of government action taken with regard to the recommendations made in the Committee's last Pre-Budget Consultation Report.

## ONTARIO'S ECONOMIC OUTLOOK AND FISCAL REVIEW

### Economic Outlook

The Committee has reviewed with the Treasurer and the Treasury staff the Economic Outlook and Fiscal Review: Ontario 1987. The Ontario economy is entering its sixth consecutive year of growth, and in 1987 had outperformed both the Canadian and U.S. economies. The economy is forecast to continue to grow, but at a reduced rate of 2.8% in 1988. Similarly, employment will continue to increase but at a slower rate, with 105,000 new jobs predicted for 1988.

Ontario's inflation level of 5.1% in 1987 was higher than both the national and U.S. rates but is expected to decrease to 4.7% in 1988. This decrease, in conjunction with rapidly rising U.S. prices, is expected to reduce the gap between Canadian and U.S. inflation rates, thus removing some of the U.S. price advantage.

The stock market crash in October 1987 appears to have had a negligible impact on the economy, and neither Canada nor the U.S. are expected to enter a recession in 1988. This opinion is supported by a number of witnesses. However, there should continue to be close monitoring of key indicators to enable the government to react quickly in case of a sudden downturn in the economies of Ontario or its major trading partners.

### Fiscal Review

Ontario's revenues of \$34,221 billion in 1987-88 are raised from taxation (66%), federal government payments (15%) and other payments such as OHIP premiums (19%). In 1988-89, there may be changes to the revenue structure, with modifications to the formula for some federal government transfers and from the impact of the first year of federal tax reform.

The Committee deplores the unilateral changes in federal transfer payments to the province which have occurred since 1981. This has resulted in a loss of revenue which would have occurred under the previously agreed formula. Unilateral federal changes have resulted in transfers that will be \$991 million less in 1988-89 than they would have been under the previously agreed 1981 formula. It is essential that the province of Ontario work with other provinces to negotiate with the federal government the restoration of transfer payments based upon federal-provincial agreement. In addition, the impact of federal tax reform in 1988-89, according to provincial officials, is expected to cost the province \$310 million.

Total expenditures for 1987-88 are budgeted as \$35,314 billion, resulting in net cash requirements of \$1.09 billion, and total debt of \$37 billion. The Committee notes that the distribution of these expenditures has changed since 1977-8, with increasing emphasis on health, social services and public debt interest, and a reduced proportion spent on education, and resources and economic development.



## ONTARIO'S COMPETITIVE POSITION

### Elementary and Secondary Education

The evidence presented to the Committee during its 1988 pre-budget hearings showed that the level of provincial funding of the education system, measured in relation to school operating costs, is estimated to have decreased to 45% in 1987. The testimony also indicated broad support from disparate groups such as the Federation of Ontario Cottagers' Associations Incorporated, the Canadian Federation of Independent Business and the Ontario School Trustees' Council for shifting the burden of funding education away from property taxes.

The Committee sympathized with the many concerns articulated by the witnesses, such as the elementary-secondary expenditure gap, pooling and the establishment of francophone schools. It will ensure that the Minister of Education is made aware of these concerns.

Given the importance of a quality education system to the achievement of a range of social and economic goals and benefits, the Committee reaffirms and expands its previous recommendation that:

2. The Government should increase, in a phased program, its share of funding to elementary and secondary education to 60% of total expenditures and property tax should be proportionately decreased through an appropriate tax mechanism. The Committee is of the opinion that property tax is not the most appropriate basis for financing the majority of education costs. A formula is required to ensure that the taxpayer benefit directly from the increased role assumed by the province.

The Committee listened to arguments concerning the difficulty of maintaining funding at a specified percentage of expenditures in view of the fact that the province does not have control over the spending of all education costs. The Committee therefore recommends that:

3. Recognizing both the need for increased funding and that the province needs some control over its expenditures, the Government should enter into discussion with the school boards to determine an appropriate method to achieve these objectives.

The Committee further recognizes that regional changes in population growth and insufficient capital funding in the past have resulted in a shortage of classrooms and overuse of portables in some areas, and a physical deterioration of school buildings in other parts of the province.

The Committee therefore recommends that:

4. Provincial funding of capital grants should be increased so that school boards can undertake renovations, modernization and new construction where necessary, and enable them to deal with the serious strains on their system.

### Colleges and Universities

The Committee acknowledges the importance of excellence in post-secondary education, not only to meet personal and social needs but as an investment in the future of the province. In order to maintain and enhance its competitiveness, the province must work towards ensuring that research and teaching in universities, colleges and trade schools are of the highest quality.

Evidence presented to the Committee indicated that enrolment in universities is projected to rise by 10%, increasing the existing strain on their human and physical resources. At the same time, some witnesses voiced concern at the low level of research and development expenditures in relation to other countries.

The Committee, therefore, expands its previous recommendation that:

5. The Government should provide additional funds for the purpose of pure research in post-secondary institutions; further, capital expenditures and operating grants for Ontario's colleges and universities should be increased.



## **Infrastructure: Transportation, Sewers and Water**

The Committee believes that an efficient infrastructure is an important component in the province's competitiveness and regional development, as well as for improving the quality of life in local communities.

It heard evidence that over the last 17 years the Ministry of Transportation's share of total budgetary expenditures on roads and highways had decreased from 13.5% to 5.2%, while over a similar period road usage had increased from 3 million to over 5 million vehicles. The existing road and highway system today suffers from physical deterioration and overcrowding.

The Committee further recognizes that the province cannot afford to neglect the transportation infrastructure. It therefore recommends that:

- 6. The Government should make the financing of increased transportation capital works projects and the maintenance of the existing road transportation network a priority.**

In view of the role of public transit in helping to relieve congestion on the roads, the Committee believes that more consideration should be given to expanding inter-urban transit systems, such as GO transit, as a response to highway overcrowding. Since responsibility for public transport rests with the federal as well as provincial and municipal governments, action is needed at all levels of government.

The Committee, therefore, recommends that:

- 7. The Government should work with all levels of government to strengthen the inter-urban public transportation systems.**

It has been brought to the attention of the Committee that the province has been funding a declining portion of the cost and maintenance of the municipal road system. Roads have been deteriorating and municipalities have been forced to draw funds off from other areas to support their maintenance.

The Committee, therefore, recommends that:

8. The Government should review the current municipal deficiencies in relation to the Ministry of Transportation's subsidy level with a view to significantly increasing the Ministry of Transportation budget for municipal roads.

In addition to transportation, sewers and water form an important part of the infrastructure of this province. Evidence presented to the Committee highlighted the importance of maintaining and up-grading sewer and water works in communities across the province, as well as the costs of compliance with pollution abatement programs.

Starting in 1961, the federal government contributed \$822 million in loans over 17 years towards tri-level funding of sewers and water works in Ontario. Between the 1970s and the present, the federal government contribution has declined, having provided \$138.7 million in grants for sewers, and \$64.7 million in grants and loans for water works in Ontario. In effect the federal government has abandoned its participation in this important area. The Committee regrets this development.

The Committee recommends that:

9. The provincial and federal governments should financially assist municipalities in the implementation of the Municipal-Industrial Strategy for Abatement (MISA) program as the environmental benefits resulting from this program will extend throughout the community, the province and the nation.
10. The Province of Ontario should pursue a tri-level financial agreement for the overall funding of infrastructure.

## Small Business

The small business sector plays an important role in the provincial economy as a creator of jobs, wealth and opportunity. The Committee heard evidence that payroll taxes, especially Workers' Compensation premiums, and government regulation represent significant obstacles to growth in the small business sector. For example, no fewer than 20 Ontario ministries and 27 federal departments interact with the small business sector in either a regulatory or supportive role.

Given that for the small business sector increased regulation means increased costs, the Committee recommends that:

11. **The Government, as a part of the policy making process, should make Small Business Economic Impact Statements, setting out the implications for the small business community of new policy, legislation or regulations.**

## REGIONS AND COMMUNITIES

### Economic Development

The Committee is of the opinion that regional development is hindered by the limited size of the highways providing access to the regions of Ontario. Without an adequate transportation network, there remains a barrier to the development of industry and tourism in Northern Ontario, and to the easing of congestion on major highways in Southern Ontario.

The Committee, therefore, recommends that:

12. Through the Ministry of Northern Development and Mines, the four-laning of north-south Highways 11 and 69, and the four-laning of the Trans-Canada highway in Northern Ontario should be government priorities to assist with the development of industry and tourism in Northern Ontario.
13. In addition to its own initiatives, the Ontario Government should negotiate with the federal government a plan for financing the four-laning of the Trans-Canada highway across Northern Ontario.

### Housing

The availability and affordability of housing, in both the rental and ownership markets, is a matter of concern for all Ontarians, especially for low and middle income families and individuals. Vacancy rates in major centres are extremely low, and escalating house prices have put home ownership out of reach of many Ontarians. Witnesses have also expressed concern that the application of some provisions of federal tax reform to the real estate and development industries may exacerbate this situation.

The Committee is of the opinion that the regulations governing housing and non-housing construction should be consolidated and rationalized at all levels of government, including the Ontario Municipal Board, with the objective of expediting the approvals process and reducing costly delays in approvals for the industry, while maintaining high standards. Hopefully, this streamlining of the bureaucracy will result in lower costs for new housing.

The Committee, therefore, reiterates its previous recommendation that:

14. The Government should consolidate and simplify regulatory procedures which govern both residential and non-residential construction, in an effort to consolidate and rationalize, and thereby expedite the current approval procedures at the municipal, regional and provincial levels of government in Ontario.

High housing prices in major urban centres present a significant barrier to home ownership, especially for first time homebuyers and low and middle income Ontarians. Assistance is required to address both the immediate needs of first time homebuyers, and the needs of those saving for a house in the future.

The Committee, therefore, recommends that:

15. The Government should carefully review its proposed Ontario Home Ownership Savings Plan to ensure that it will be effective in providing assistance to low and middle income families. To provide more immediate assistance to first time homebuyers, the Government should consider providing an income tested land transfer tax rebate for first time homebuyers.

The Government has taken steps to help those low income Ontarians in need of housing by expanding the eligibility criteria for social housing. However, waiting lists for social housing remain very long, and without additional housing this initiative increases the length of the waiting list.

The Committee, therefore, recommends that:

16. The Government should greatly increase the amount of funds directed to the building of non-profit and co-op housing.



## QUALITY OF LIFE

### Health Care

In its 1987 Report, this Committee recommended that the government address the issue of growing health care costs while ensuring that adequate funding of health care is guaranteed.

While in the past year the government has released a number of reports on the delivery of health care services, established a Premier's Health Care Council and, most recently, appointed a task force to inquire into the problem of escalation in OHIP billings, health care costs continue to rise and long-term effective solutions remain to be found.

The Committee is concerned that financing the health care system will, in the near term, put a severe strain on the fiscal capacity of the province. It is of the view that more attention could be paid to preventative health care, which would not only improve the health of Ontarians but would also reduce future health care costs.

The Committee, therefore, recommends that:

17. The Government should address growing health care costs. The Government must ensure that adequate funding for health care is guaranteed. Growing health care costs must be controlled through the use of cost effective and more efficient programs.
18. The Government should consider alternative delivery methods of health care, with particular emphasis on models of preventative health care, such as the use of community health centres.

The Committee recognizes that a start has been made in providing OHIP premium assistance to lower-income Ontarians, and wishes to encourage the Government to continue improving the elimination of OHIP premiums for those in need.

It therefore recommends that:

19. The Government should continue and expand its program of OHIP premium assistance to lower-income Ontarians.

## Disabled Community

Some of the most effective presentations made to the Committee were from representatives of the disabled and handicapped community. These witnesses poignantly argued that institutional and educational difficulties prevented many of their community from living full, useful and independent lives. In particular, they identified the following concerns:

- Additional transportation should be funded by the province over 15 years so that the disabled have total accessibility to work and the community.
- The attendant care system should be changed and expanded to fill the needs of work and family.
- An advocacy system should be established to safeguard the rights and interests of vulnerable adults.
- Employment programs for disabled people are inadequate. The government should proceed with its commitment to institute an employment equity program in the public and private sectors and to funding supported work programs.
- Additional funding should be provided for the assistive devices program, to facilitate its expansion and implementation.
- Funding should be set aside to enable the visually handicapped to have access to written information; without such access they are unable to respond to issues of concern.

The Committee was sympathetic to these concerns of the disabled community, and recommends that:

20. The Government should give priority to the recommendations and concerns expressed by the handicapped and disabled groups in their presentations before the Committee.

## Social Concerns

The Committee heard discussion by witnesses of the need to assist the working poor. It listened sympathetically to the concerns expressed that greater emphasis should be placed on directly addressing the individual needs of the poor rather than on stimulating the economy at the corporate level.

There remain some Ontarians that do not have an adequate standard of living, and who are unable to meet the basic needs of food, shelter and clothing. The Committee is pleased to note the continuation of the Ontario Tax Reduction Program which provides tax relief to lower-income Ontarians. The Committee would like to encourage the government to continue expanding this program so that those in need pay lower or no income tax.

The Committee, therefore, recommends that:

21. The Government should continue the process of removing low income Ontarians from the burden of paying personal income tax.



## TAX REFORM

The Committee recognizes the importance of tax reform to the people and economy of Ontario, and believes that the tax reform proposals merit comprehensive consideration.

The Committee heard arguments advocating the importance of achieving simplicity in the tax system, and to this end there were recommendations that the province cooperate with the federal government on the development of a national federal-provincial tax system.

However, doubts were also expressed that, in doing so, the province would be supporting a tax system that was less progressive than it would wish. In this case, a progressive system based on ability to pay was deemed to be of more importance than simplification and efficiency.

While the Committee has been impressed by the wide range and complexity of issues covered by the witnesses, it is of the opinion that it would be premature to make specific recommendations without further consultation with tax experts and the public.

The Committee therefore recommends that:

22. Separate hearings should be held on tax reform in order to undertake a comprehensive study of the tax system, including the issue of developing a more progressive tax base.

Meanwhile, the Committee recognizes that the province is in a position to respond and to contribute to the ongoing process of federal tax reform, in as much as it affects the province. The Committee recommends in the interim, therefore, that:

23. The province should cooperate with the federal government in developing tax policy, whilst ensuring that such policy maintains provincial flexibility to introduce such special measures as it deems appropriate.

## FISCAL MANAGEMENT

Managing the fiscal activities of the province involves evaluating the priorities of expenditure in the light of social and economic concerns, and deciding on the appropriate means of financing these expenditures.

This report highlights those areas of expenditure which the Committee views as a priority. Although it recognizes that these involve additional expenditures, the Committee is of the opinion that many of these expenditures are ones that represent an investment in the future. They may be essential in order to provide the framework for the continuing growth of Ontario's economy, which in turn would result in an increased base for tax revenues in the future. Some of these expenditures may also be viewed as preventive measures, as they may reduce the possibility of higher, corrective social and public costs to be paid by the province in the future.

Revenues for these additional expenditures have to be funded from new revenue sources, increased existing revenue sources, program evaluation and reallocation of resources, or increased borrowing.

The Committee discussed at length some different approaches to raising revenue through taxation. Among the topics covered were the implementation of a payroll tax, raising the retail sales tax, increasing the tobacco tax, initiating a land speculation tax and imposing a minimum corporate income tax. The Committee is of the opinion that there should be a reassessment of the structure of Ontario's tax system, as previously recommended in the discussion on tax reform; such reassessment should include consideration of an increase in taxation if necessary.

The Committee also believes that if the Government is to meet funding requirements in priority fields such as health, housing, education and infrastructure improvement without an excessive increase in the tax burden or a damaging increase in the net cash requirements and provincial debt, efforts should be made to find funds through government expenditure control.

Finally, the Committee has listened carefully to arguments concerning a balanced budget and deficit reduction. It is aware that it has recommended increasing expenditures at a time when Ontario's economic growth is projected to slow, and when the Treasurer has indicated a potential reduction in revenues resulting from federal initiatives. It therefore recommends that:

24. The Government, in preparing its annual budget, should make a concerted effort in meeting the needs of the province in a fiscally responsible manner in all areas, including the determination of revenue sources and expenditures, and planning a responsible approach to budgetary deficit reduction.

## LIST OF RECOMMENDATIONS

1. The pre-budget consultation process should include a review with the Treasurer and Treasury staff of government action taken with regard to the recommendations made in the Committee's last Pre-Budget Consultation Report.
2. The Government should increase, in a phased program, its share of funding to elementary and secondary education to 60% of total expenditures and property tax should be proportionately decreased through an appropriate tax mechanism. The Committee is of the opinion that property tax is not the most appropriate basis for financing the majority of education costs. A formula is required to ensure that the taxpayer benefit directly from the increased role assumed by the province.
3. Recognizing both the need for increased funding and that the province needs some control over its expenditures, the Government should enter into discussion with the school boards to determine an appropriate method to achieve these objectives.
4. Provincial funding of capital grants should be increased so that school boards can undertake renovations, modernization and new construction where necessary, and enable them to deal with the serious strains on their system.
5. The Government should provide additional funds for the purpose of pure research in post-secondary institutions; further, capital expenditures and operating grants for Ontario's colleges and universities should be increased.
6. The Government should make the financing of increased transportation capital works projects and the maintenance of the existing road transportation network a priority.
7. The Government should work with all levels of government to strengthen the inter-urban public transportation systems.
8. The Government should review the current municipal deficiencies in relation to the Ministry of Transportation's subsidy level with a view to significantly increasing the Ministry of Transportation budget for municipal roads.
9. The provincial and federal governments should financially assist municipalities in the implementation of the Municipal-Industrial Strategy for Abatement (MISA) program as the environmental benefits resulting from this program will extend throughout the community, the province and the nation.
10. The Province of Ontario should pursue a tri-level financial agreement for the overall funding of infrastructure.



11. The Government, as a part of the policy making process, should make Small Business Economic Impact Statements, setting out the implications for the small business community of new policy, legislation or regulations.
12. Through the Ministry of Northern Development and Mines, the four-laning of north-south Highways 11 and 69, and the four-laning of the Trans-Canada highway in Northern Ontario should be government priorities to assist with the development of industry and tourism in Northern Ontario.
13. In addition to its own initiatives, the Ontario government should negotiate with the federal government a plan for financing the four-laning of the Trans-Canada highway across Northern Ontario.
14. The Government should consolidate and simplify regulatory procedures which govern both residential and non-residential construction, in an effort to consolidate and rationalize, and thereby expedite the current approval procedures at the municipal, regional and provincial levels of government in Ontario.
15. The Government should carefully review its proposed Ontario Home Ownership Savings Plan to ensure that it will be effective in providing assistance to low and middle income families. To provide more immediate assistance to first time homebuyers, the Government should consider providing an income tested land transfer tax rebate for first time homebuyers.
16. The Government should greatly increase the amount of funds directed to the building of non-profit and co-op housing.
17. The Government should address growing health care costs. The Government must ensure that adequate funding for health care is guaranteed. Growing health care costs must be controlled through the use of cost effective and more efficient programs.
18. The Government should consider alternative delivery methods of health care, with particular emphasis on models of preventative health care, such as the use of community health centres.
19. The Government should continue and expand its program of OHIP premium assistance to lower-income Ontarians.
20. The Government should give priority to the recommendations and concerns expressed by the handicapped and disabled groups in their presentations before the Committee.
21. The Government should continue the process of removing low income Ontarians from the burden of paying personal income tax.
22. Separate hearings should be held on tax reform in order to undertake a comprehensive study of the tax system, including the issue of developing a more progressive tax base.

23. Meanwhile, the province should cooperate with the federal government in developing tax policy, whilst ensuring that such policy maintains provincial flexibility to introduce such special measures as it deems appropriate.
24. The Government, in preparing its annual budget, should make a concerted effort in meeting the needs of the province in a fiscally responsible manner in all areas, including the determination of revenue sources and expenditures, and planning a responsible approach to budgetary deficit reduction.

**MINORITY OPINION**

MINORITY OPINION AND RECOMMENDATIONS OF THE PROGRESSIVE  
CONSERVATIVE PARTY MEMBERS OF THE STANDING COMMITTEE ON FINANCE  
AND ECONOMIC AFFAIRS 1988 PRE-BUDGET CONSULTATIONS

INTRODUCTION

We have submitted this minority opinion, not as a dissent to the recommendations of the Committee, but rather to address a number of policy areas where we believe the Committee should have provided clearer direction to the Treasurer and better articulated some of the concerns about the government's current fiscal policies expressed by groups who participated in the consultation process.

In our opinion, the Committee Report does not directly address the primary financial management problem facing the government as it prepares its 1988-89 provincial budget, namely, the need to eliminate the net cash requirement while providing adequate funding for priority services without tax increases.

Given the current performance of the provincial economy and the mid-term forecast as detailed in the Ministry of Treasury and Economics' Ontario Economic Outlook and Fiscal Review, 1987, it is our view that the government has the opportunity and the resources to balance the provincial budget in two years while funding increases in priority expenditures and without increasing taxes. Inflation is in the 4.5% range and expected provincial revenues without tax increases are projected to be in excess of 8%.

To achieve these goals however, the government must exercise greater control over its expenditures than it has in the past three fiscal years. In short, the government must find the political will to break out of the "Spend, spend, spend, Tax, tax, tax" approach it has adopted in managing the public Treasury.

In 1988, Ontario entered its sixth consecutive year of strong and sustained economic expansion. The province's recovery from the recession of the early 1980s is a tribute to the competitiveness of Ontario's exporters, the productivity of our industries and the skill and determination of the province's labour force.

The government of Ontario has benefited from this period of growth as the impact of increased economic activity on the higher tax base established by the 1985-86 budget has generated very significant increases in provincial government revenues.

However, the provincial deficit remains at unacceptably high levels because, as one group which appeared before the Committee stated, the government has a "predilection ... to spend its windfalls as soon as it gets them".



This "predilection" must be corrected if the government is to have the flexibility it will need to help the people of the province cope with any economic downturn.

In this minority opinion we recommend, for the Treasurer's consideration, a number of measures which would help the government enhance its control over its spending.

We also make a number of recommendations proposing certain improvements in the way the government reports on the provincial finances.

We would like to express our appreciation to the Liberal and New Democratic members of the Standing Committee on Finance and Economic Affairs who participated in the Committee debate on these recommendations. While we do not agree with their conclusions regarding these proposals, their opposition to them was principled if not compelling.

We trust that at the very least, even if the government does not accept our suggestions, then this minority opinion will add a new dimension to the debate on the management of public finances in the province.

## TAXATION

We are aware of the Treasurer's view that tax increases may be necessary in the next provincial budget in order to maintain the quality of essential provincially funded services such as health care and post-secondary education.

The Treasurer has predicted that he will increase taxes. The PC members of the Committee reject any suggestion that tax increases are necessary in the province at this time.

We also disagree with the Treasurer's contention that the reduced rate of growth in federal transfer payments and federal tax reform policies will be responsible for any tax increases in the next provincial budget.

The Ontario Ministry of Treasury and Economics was well aware of the federal policy to reduce the rate of growth in its transfer payments and has had ample opportunity to plan for the impact of that policy on its budgets.

It has done so in fact in budgets from 82-87 so that any cumulative effects of federal transfer policy are already offset by cumulative effects of provincial taxation policy.

We are of the opinion that efforts to blame any increase in taxes on federal policies is counterproductive in that it detracts from the need of the government of Ontario to control its spending.

Further, the Committee has heard from a number of organizations, such as the Association of Municipalities of Ontario, which have complained about the rate of growth in provincial transfer payments.

It is our view that projected economic growth along with a greater commitment to expenditure control will allow the province to provide adequate funding and a continued reduction in the deficit without any increase in current tax rates or expansion of the current tax base.

We note that:

- o As of the third quarter 1987-88 relative to 1984-85, total government revenues have increased by more than \$9 billion or by 35.8%, while tax revenues have increased by 50.3%.
- o This increase in revenues is attributable to the strong performance of the provincial economy and the tax increases introduced in the 1985-86 budget.
- o Treasury's economic forecast indicates that economic growth is expected to continue over the medium term.

- o Economic growth, though it is expected to slow relative to the rates experienced over the past five years, will continue to have a positive impact on government revenues and should increase revenues by at least an estimated 8% in the 1988-89 fiscal year to \$37 billion.
- o Similar increases are expected through 1990-91.

In the course of its hearings it was pointed out to the Committee that:

- o Since the current government came to power, personal income taxes have increased by 59.3% almost double the rate of increase in personal income which have risen only 26.5%. [Metro Toronto Board of Trade submission]
- o The overall tax burden has increased by 50% since 1984-85, as compared to a provincial GDP increase of only 28.7%. [Metro Toronto Board of Trade submission]
- o Ontario's current total provincial-local tax effort slightly exceeds the national average, is above that of six provinces and the province may not have great relative scope to increase taxes in the future. [Ontario Natural Gas Association submission]

We are also concerned that tax increases at this point in the business cycle could worsen the projected slowdown by taking money, which could be put to productive uses, out of the pockets of consumers and investors.

Further we are concerned that the provincial government is falling into a "Tax, tax, tax, Spend, spend, spend" approach to financial management, which could undermine the province's fiscal position in the near term and surely will undermine it in the long term.

The PC members of the Committee believe that it would be unfair of the government to increase taxes until it has made a more concerted and effective effort to control its expenditures. The fact that the government may find it easier to tax than to save is no excuse for not making the effort.

We therefore recommend:

1. That the government not increase taxes or other provincial fees and charges in its 1988-89 budget but instead concentrate on controlling its expenditures and reducing the deficit.

## EXPENDITURE CONTROL

We are concerned about a number of indicators which point to a general erosion in government expenditure control.

- o The government has exceeded its budget plan expenditures in each fiscal year it has been in office.
- o As the Metro Toronto Board of Trade pointed out, "the predilection for the Government to spend its [revenue] windfalls as soon as it gets them is becoming increasingly apparent."
- o In spite of the very strong performance of the Ontario economy, government expenditures in relation to the GDP have not declined significantly. In 1987-88 government expenditures will represent approximately 16.0% of the GDP, a level only marginally lower than the 16.4% level experienced in 1983-84.
- o During its term in office the government has increased expenditures at an average annual rate of 10%, a rate more than double the average rate of inflation during that period.
- o The government's operating position has deteriorated relative to its budget plan.
- o In spite of very strong economic growth and substantial increases in provincial revenues the net cash requirement remains above the \$1 billion mark.

We believe that if the government is to meet funding requirements in priority service fields such as health and education without an onerous increase in the tax burden and without a damaging increase in the net cash requirement and the provincial debt, the government must make every effort to gain control over its expenditures.

To that end it is recommended that:

2. The Ministry of Treasury and Economics initiate a review of the expenditures of all Ministries to determine where spending could be reduced.
3. The government should continue to hold the rate of growth in expenditures below the rate of growth in revenues.
4. Pending the outcome of the expenditure program review recommended above, the government should consider flatlining direct operating expenditures where possible in order to enable it to adequately fund priority areas without increasing taxes or the deficit.

## DEFICIT REDUCTION AND THE BALANCED BUDGET

The PC members of the Committee share the concern, expressed in a number of submissions made to the Committee, that the government has not done more to reduce the provincial deficit.

While the deficit is down significantly relative to recessionary levels, it remains unacceptably high given the province's strong and sustained recovery from the recession and the positive impact that has had on government revenues.

In addition, as noted by the Metropolitan Toronto Board of Trade in its submission to the Committee, the improvement in the 1987-88 budget plan net cash requirement was due to a "contingent and non-recurring factor", namely the federal government budget policy of accelerating the remittances of personal income tax withholdings by large employers.

Thus, as the Board of Trade notes, "the budgeted cash requirement does not represent any improvement over the previous year".

In sum then the year-over-year reduction in the 1987-88 budget plan net cash requirement was achieved largely by the \$535 million available to the provincial Treasury as a result of the change in federal tax collection policy.

We share the view expressed by the Metropolitan Toronto Board of Trade, "that more could have been done to reduce the provincial debt in 1987, owing to the unprecedentedly strong performance of the Ontario economy through the year."

It is feared that the continued existence of an annual net cash requirement at current levels along with the consequent increase in the provincial debt, will reduce the province's flexibility to respond positively and constructively to any future economic downturn or recession.

Given the current performance of the provincial economy and Treasury's mid term outlook, it is reasonable to expect the government to be able to eliminate the net cash requirement over the next two years.

The PC members of the Committee recognize that deficit financing can play an important role as an economic stabilizer during economically depressed periods, but believe that the existence of a deficit during periods of expansion should be discouraged.

We are of the view that if the government acts on the recommendations with regard to expenditure control it would be possible to eliminate the net cash requirement by the 1989-90 fiscal year.



We recommend that:

5. The government develop a fiscal plan which would balance the Ontario budget by no later than the 1989-90 fiscal year.
6. Any in-year revenue windfalls be applied to the reduction of the net cash requirement.

## TAX EXPENDITURES

We are concerned that tax expenditures are not subject to the same rigorous review under the the value for dollar principles which are applied to the assessment of direct provincial expenditures and transfers.

Tax expenditures, as the 1986 budget paper Ontario Tax Expenditures noted, are easier and less costly to administer than other forms of benefits but "are not subject to the same degree of accountability as direct spending programs".

In his 1987 Report, the Provincial Auditor pointed to a number of concerns related to tax expenditures. Three in particular are worthy of note:

- o There is no formal accounting for the cost of tax expenditure programs, or ongoing monitoring and assessment of whether the objectives of the programs are being accomplished.
- o Ceilings on government expenditures in particular program areas could be circumvented by switching from direct expenditure to tax expenditure programs.
- o There also exists a possibility that once adopted, tax expenditures may become firmly embedded and rarely examined.

The 1986 budget paper estimated that annual tax expenditures are in excess of \$7 billion. The Auditor's observations would support the conclusion that the provincial treasury is foregoing \$7 billion in revenue without any idea if the benefits justify the costs.

We note that, given the demands on the provincial treasury to fund priority services and programs, it is essential that the government and taxpayer be assured that these foregone revenues are achieving productive program objectives, and be subject to regular review:

To that end it is recommended that:

7. The Ministry of Treasury and Economics immediately undertake a critical review of all Ontario tax expenditures to determine the degree to which the various programs are achieving socio-economic program objectives.
8. On the basis of the findings of the review, all non-productive tax expenditures be eliminated.
9. As a matter of policy, any new tax expenditure programs introduced by the government be sunsetted, that is the measure would automatically expire after a set period of time and could only be continued after review by the Ministry and by an appropriate Committee of the Legislature.

10. The value of foregone revenues resulting from tax expenditures, or estimates of same, be included and reported in the Ontario Public Accounts to provide the government, the Legislature and the public with a more complete picture of the total cost of government expenditure programs.



## SUNSET REVIEW

In its 1987 Report this Committee recommended that the government give consideration "to the development of a program specifically for the purpose of monitoring, on a continuous basis, the socio-economic impact of new policies and legislation the people and economy of the province."

An approach which could achieve the same goal, without requiring the establishment of a new program, would have the government provide for sunset review of new programs, regulations, tax increases and tax expenditures.

Currently sunset provisions apply to various advisory, regulatory and operational agencies of the Ontario government. The process is internal to the government and is overseen by the Management Board of Cabinet.

The principle of sunset review should be applied to all legislation and regulations establishing an agency, program, tax expenditure or revenue measure. The process should provide for review by the Committees of the House.

Such an approach would help increase government efficiency and accountability by, among other things:

- o Assisting in the assessment of the socio-economic impact of government policies.
- o Assisting in the identification of non-productive tax expenditures.
- o Requiring the government to justify the need for continuing revenue raising measures instead of allowing such measures to remain on the books unexamined.
- o Helping the government identify agencies and programs which are not meeting their mandate.

It is recommended that:

11. As a matter of policy every Act establishing a government agency, mandating a tax expenditure or the raising of revenues include within it a provision providing for its mandatory termination unless its continuation is recommended after review by the appropriate Committee of the Legislature.

## IMPROVEMENTS TO GOVERNMENT FINANCIAL REPORTING

We would like to express our appreciation for the co-operation the Committee received from the Treasurer and the staff of the Ministry of Treasury and Economics.

To provide members of the Legislature, the Committee and the public with easier access to the most complete picture possible of government finances we urge the Treasurer to implement two changes in the method of reporting provincial finances.

We note that a Ministry by Ministry breakdown of Capital Account spending is not included in the Ontario Finances Quarterly Updates, nor are the details provided on where the government is realizing its projected expenditure savings and constraints which the 1987-88 budget projected at \$350 million, [\$75 million on the Capital Account and \$275 million on other expenditures].

It is recommended that:

12. The Ontario Finances and Ontario Finances Quarterly Update include a Ministry by Ministry statement of Capital Account expenditures comparing actual and projected expenditures with the budget plan capital account estimates.
13. The Ontario Finances provide a detailed accounting of the areas and programs in and on which the government has realized its projected expenditure savings and constraints.

## ECONOMIC DEVELOPMENT IN NORTHERN ONTARIO

In its study in 1986 of Northern Ontario gasoline prices the Ontario government concluded that gasoline prices were on average 4 cents per litre higher in Northern Ontario than in Southern Ontario. Most observers would agree that the situation is the same today. We would make the following recommendation to encourage tourism and economic development in Northern Ontario and to reduce the costs of transportation in the North.

It is recommended that:

14. The Ontario Government through co-operation with the oil industry and through monitoring of gasoline and diesel fuel prices use the taxation system to equalize the price of gasoline and diesel fuel in Northern Ontario with prices in Southern Ontario.

  
Michael D. Harris, M.P.P.

  
George R. McCague, M.P.P.

LIST OF PC MINORITY OPINION RECOMMENDATIONS  
STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS  
1988 PRE-BUDGET CONSULTATIONS

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1. That the government not increase taxes or other provincial fees and charges in its 1988-89 budget but instead concentrate on controlling its expenditures and reducing the deficit.
2. The Ministry of Treasury and Economics initiate a review of the expenditures of all Ministries to determine where spending could be reduced.
3. The government should continue to hold the rate of growth in expenditures below the rate of growth in revenues.
4. Pending the outcome of the expenditure program review recommended above, the government should consider flatlining direct operating expenditures where possible in order to enable it to adequately fund priority areas without increasing taxes or the deficit.
5. The government develop a fiscal plan which would balance the Ontario budget by no later than the 1989-90 fiscal year.
6. Any in-year revenue windfalls be applied to the reduction of the net cash requirement.
7. The Ministry of Treasury and Economics immediately undertake a critical review of all Ontario tax expenditures to determine the degree to which the various programs are achieving socio-economic program objectives.
8. On the basis of the findings of the review, all non-productive tax expenditures be eliminated.
9. As a matter of policy, any new tax expenditure programs introduced by the government be sunsetted, that is the measure would automatically expire after a set period of time and could only be continued after review by the Ministry and by an appropriate Committee of the Legislature.
10. The value of foregone revenues resulting from tax expenditures, or estimates of same, be included and reported in the Ontario Public Accounts to provide the government, the Legislature and the public with a more complete picture of the total cost of government expenditure programs.
11. As a matter of policy every Act establishing a government agency, mandating a tax expenditure or the raising of revenues include within it a provision providing for its mandatory termination unless its continuation is recommended after review by the appropriate Committee of the Legislature.

12. The Ontario Finances and Ontario Finances Quarterly Update include a Ministry by Ministry statement of Capital Account expenditures comparing actual and projected expenditures with the budget plan capital account estimates.
13. The Ontario Finances provide a detailed accounting of the areas and programs in and on which the government has realized its projected expenditure savings and constraints.
14. The Ontario Government through co-operation with the oil industry and through monitoring of gasoline and diesel fuel prices use the taxation system to equalize the price of gasoline and diesel fuel in Northern Ontario with prices in Southern Ontario.

## **APPENDIX A**

### **List of Recommendations and Concerns of Witnesses**





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## LIST OF SUBMISSIONS

Abbreviation	Organization/Individual	Exhibit #
AARO	Automotive Aftermarket Retailers of Ontario	1/02/12
ACFO	Association canadienne-française de l'Ontario	1/02/57
AMO	Association of Municipalities of Ontario	1/02/56
APMA	Automotive Parts Manufacturing Association of Canada	1/01/74
BCNI	Business Council on National Issues	1/02/02 1/02/02B
BCDC	Budget Coalition from the Disabled Community	1/02/16
Bell	Bell Canada	1/02/22
BOOST	BOOST – Blind Organization of Ontario for Self-Help Tactics	
BoT	Board of Trade of Metropolitan Toronto	1/02/17 1/02/24
CAC	Consumers' Association of Canada (Ontario)	1/02/19
CEFSO	Council of Elizabeth Fry Societies of Ontario	1/02/27
CFIB	Canadian Federation of Independent Business	1/02/62
CFL	Canadian Federation of Labour	1/02/11
CGAAO	Certified General Accountant's Association of Ontario	1/02/08
COU	Council of Ontario Universities	1/02/28
CPJ	Citizens for Public Justice	1/02/25
FOCAI	Federation of Ontario Cottagers' Associations Incorporated	1/02/40

HH	Home Hardware	1/02/37
IBC	Insurance Bureau of Canada	1/02/23
JC	Joint Committee of Canadian Bar Association & Canadian Institute of Chartered Accountants	1/02/06 1/02/09
K-W	Social Planning Council of Kitchener-Waterloo, and Ontario Social Development Council	1/02/13
OAAIS	Ontario Association of Alternative and Independent Schools	1/02/58
OCUFA	Ontario Confederation of University Faculty Associations	1/02/53
OF	Ontario Forestry Association	1/02/03
OFA	Ontario Federation of Agriculture	1/02/07
OFS	Ontario Federation of Students	1/02/21
OHA	Ontario Hospital Association	01/02/34
OHBA	Ontario Home Builders' Association	1/02/01 1/02/44
ONA	Ontario Nurses' Association	1/02/15
ONGA	Ontario Natural Gas Association	1/02/26 1/02/48
OPEN	Ontario Public Education Network	1/02/55
OPSEU	Ontario Public Service Employees Union	1/02/36
OPSTF	Ontario Public School Teachers' Federation	1/02/33
ORBA	Ontario Road Builders' Association	1/02/35
OSTC	Ontario School Trustees' Council	1/02/39
OTA	Ontario Trucking Association	1/02/10 1/02/18

List of Recommendations and Concerns of Witnesses

RCC	Retail Council of Canada	1/02/51
ThEW	Thorne Ernst & Whinney	1/02/20
TSE	Toronto Stock Exchange	1/02/49
USCO	United Senior Citizens of Ontario	1/02/04
UDI	Urban Development Institute of Canada	1/02/14

## INTRODUCTION

The recommendations and concerns of witnesses submitting oral and written presentations to the Committee are summarized, and include those submissions on tax reform received in August–September 1987. In order to avoid duplication and for the sake of simplicity, a recommendation made by multiple groups is listed only once, and only a limited number of groups supporting that recommendation are cited. No significance should be attributed to the sequence of recommendations, nor to the inclusion or omission of witnesses' names.

### ONTARIO'S COMPETITIVE POSITION

#### Education

##### Elementary and Secondary Education

- The government should revert to funding 60% of the costs of elementary and secondary education.

(OSTC, OPEN)

- The Ontario government should substantially increase the per-pupil recognized expenditure ceilings.

(OSTC, OPEN)

- The level of recognized ordinary expenditure for elementary pupils should be raised to the same level as that provided for secondary pupils, without diminishing the latter; this increase should be phased in over three years, at an estimated cost of \$365 million per year.

(OPSTF)

- Provincial funding of capital grants to school boards should be increased. An estimated \$1.7 billion (\$1.3 billion from provincial funding) for new capital projects is required in 1988, in addition to \$1 billion that would result from raising the level of provincial funding to 60%.

(OSTC, OPEN)

- Increased provincial funding is required for continuing education, especially in northern, rural or francophone Ontario, and for programs for drop-outs.

(OSTC)



- Education should be financed more on the basis of income or ability to pay than through property taxes. The Macdonald Commission suggests that reliance on property taxes for education revenue could be reduced by lowering the education mill rate, by increasing the share of provincial funding, or by introducing an education property tax credit scheme.

(FOCAI)

- Cottagers should not have to fund education from property taxes on both primary and secondary residences, when they are unable to receive the benefit in both places.

(FOCAI)

- Reduced provincial funding for education increases the burden of revenue to be raised from property taxes.

(OSTC)

- School boards should be exempt from the existing provincial sales tax.

(OSTC)

- The government should not proceed with proposals to pool commercial and industrial tax assessments.

(OPEN)

- The Ministry of Education should revise its system of apportionment so that the school tax burden will be shared on a more current and equitable basis; and that all municipalities undergo county/region/district wide reassessment to create proper equalization factors.

(AMO)

- The government should not proceed with any proposal to fund private schools.

(OPEN)

- The government should give a grant of \$50,000 to the Ontario Association of Alternative and Independent Schools to complete and distribute a study on the development of a provincial education policy which supports all schools functioning in the public interest.

(OAAIS)

- A planning and implementing mechanism should be formed, similar to that in the Catholic schools, for establishing secondary francophone schools.

(ACFO)



- There should be permanent and adequate financing for a francophone secondary school in Ottawa–Carleton, and elsewhere in the province, in order to establish a system equal in quality and accessibility to the English system.

(ACFO)

- The province should provide a minimum of 60% of the total school board expenditures, increasing ultimately to 100%.

(AMO)

### Colleges and Universities

- A 'catch-up' fund of \$500 million over a maximum of five years should be provided to universities for faculty renewal (1500 additional faculty members), raising salaries to a competitive level, purchasing new equipment, additional funding for basic research, renewing library stock and removing the differential fees for international students.

(OCUFA)

- The province should increase its share of universities' operating grants. The 1988 increase in base funding is 4.5%, short of the 10.5% recommended by the Ontario Council on University Affairs.

(OCUFA, OFS)

- The Ontario Council on University Affairs advises that universities need capital funds of \$38.3 million for cyclical renewal and \$21.6 million for deferred repairs, renovations, alterations and replacement projects in 1988–9. This is in addition to the carryover costs of existing projects.

(OCUFA)

- Ontario's universities require a 10.9 % increase in funding in 1988–89 in order to maintain existing service levels, enhance research infrastructure and initiate a program of qualitative improvement. In addition a further 2.6% increase is required to meet the government's commitment to accessibility.

(COU)

- Universities require \$172 million for each of five years for major repairs and renovations, alterations, deferred maintenance and new construction.

(COU)

- There should be consultation between government and the universities on how to meet the needs of an increasing university enrolment.

(COU)

- Secondary-level career development initiatives in the field of international trade should be developed.

(BoT)

- Apprentices should be classified as students, the provincially-administered education component of apprenticeship training should be made available under alternative delivery forms, such as 'day release,' and the government should re-examine the allocation of the costs of apprenticeship training.

(BoT)

- The government should make a long-term commitment to ensure that all qualified students in Ontario have access to an affordable and excellent post-secondary education in the field of their choice.

(OFS)

- There is concern at the increase in tuition fees.

(OFS)

- There is concern with the high debt load, grant eligibility period and allowable costs aspects of the Ontario Student Assistance Program.

(OFS)

- The government must ensure that funds targeted for a specific purpose are spent in those areas.

(OFS)

- There is concern that the increasing number of undergraduates affects the quality of education, through increased student-teacher ratios and lack of facilities. It also places a heavy burden on graduate students.

(OFS)

- A francophone college should be established in eastern Ontario.

(ACFO)

- The necessary procedures should be instituted to ensure that francophone colleges may be established in other regions of the province.

(ACFO)

- A serious study should be undertaken with a view to establishing a French university in Ontario.

(ACFO)

## Transportation

- There should be a five year program for new highway construction, with dedicated funding provided.

(ORBA)

- There should be a significant increase in annual funding for ongoing road maintenance and reconstruction.

(ORBA)

- Additional funding of \$300 million/year after inflation should be provided for five years for repair and expansion of Ontario roads and highways infrastructure.

(OTA)

- Ontario motor carriers should be allowed to write off 20% of the book value of their intraprovincial operating authorities per annum for five years, commencing the year the government of Ontario passes legislation to deregulate the province's intraprovincial trucking industry.

(OTA)

- There should be immediate rollback of 0.6¢ per litre in Ontario diesel fuel tax.

(OTA)

- The provincial government should review the current municipal deficiencies and over-expenditures with a view to significantly increasing the Ministry of Transportation budget for municipal roads.

(AMO)

## Sewers and Water

- The provincial and federal governments should financially assist municipalities in the implementation of the Municipal-Industrial Strategy for Abatement Program.

(AMO)

- The provincial government should pursue a tri-level financial agreement for the overall funding of infrastructure.

(AMO)

## Energy

- The government should examine with the industry alternative future natural gas market supply/demand scenarios and their supply security and pricing implications, with a view to establishing a positive policy and regulatory framework within which the industry can make long-term commitments to secure natural gas supplies at competitive prices.

(ONGA)

- Serious consideration should be given to the potential for using natural gas in the production of electricity, to bridge the gap while clean-coal technologies and other supply/demand options are developed and to reduce acid rain.

(ONGA)

- Existing incentives for research, development and demonstration should be maintained, and additional measures should be introduced.

(ONGA)

- Existing incentives for the market development of natural gas for vehicles should be maintained and additional measures introduced.

(ONGA)

- A committee should be established of Alberta and Ontario government and private sector representatives to inquire into the state of relations between the two provinces and suggest ways to improve relations and economic cooperation.

(ONGA)

## Small Business

- Support for small business should be through the tax system or through programs that lever public sector financing. There should be no grants or subsidies to firms of any size.

(CFIB)

- The government should provide incentives for risk investment on a basis which levers private sector financing and advice, rather than having government officials "pick winners" directly.

(CFIB)

- Small business economic impact statements should be a part of the policy-making process, setting out the implications for the small business community of new policy, legislation or regulations.

(CFIB)

- The Small Business Development Corporation should be expanded, and additional funds provided if required.

(BoT)

## Financial services

- The Ontario government should extend the advantages of Employee Stock Ownership Plans to a greater number of Ontario-based corporations.

(TSE)

- Ontario should continue leadership on the issue of the designation of International Banking Centres in Canada by taking action, within its jurisdiction, to restore the ability of Ontario communities to compete on equal terms for international financial business.

(BoT)

## REGIONS AND COMMUNITIES

### Housing

- The non-profit housing allocation should be further increased.

(AMO)

- The government should standardize school land acquisition in consultation with municipalities, school boards and the industry.

(OHBA)

- The government should reduce the Land Transfer Tax to previous levels.

(OHBA)

- There should be an orderly disposition of the government's land banks in order to increase the availability and reduce the cost of land.

(OHBA)

- There should be a gradual process of rent decontrol.

(OHBA)

- There should be a system of targeted financial assistance to individuals with a proven need in order that they may obtain shelter in market accommodation at a price they can afford.

(OHBA)



## QUALITY OF LIFE

### Health

- The government should make adjustments to the 1987/88 operating budget to address the total operating shortfall of \$55.8 million. Additional funding should be provided to cover forecast deficits of \$30–60 million.

(OHA)

- The government should increase the funding base for hospitals for 1988/89 and provide additional funding to reflect major factors, such as growth and life support funding, tax reform, new drug costs, safeguards against the transmission of AIDS, pay equity.

(OHA)

- The government should finalize the second phase of the 1986 capital funding plan and develop, in consultation with hospitals, a strategy for addressing future capital requirements. In addition, the government should fund hospitals to a level that would halt the decline in operating margins, provide appropriate allocations for capital needs and adjust the method of reporting hospital financial results to reflect capital requirements.

(OHA)

- A full cost analysis of the impact of regulations for health care facilities under the Occupational Health and Safety Act should be conducted jointly by the Ontario Hospital Association, the Ministry of Labour and the Ministry of Health before the regulation is finalized. Based on this analysis, agreement must be reached on a time frame for phased-in implementation of the regulation.

(OHA)

- The provision of ambulance services by private ambulance companies, funded by the Ministry of Health, is opposed.

(OPSEU)

- Additional funding should be provided through the Ministry of Labour to improve the training of health and safety inspectors.

(OPSEU)

### Disabled Community

- Additional transportation should be funded by the province over 15 years so that the disabled have total accessibility to work and the community.

(BCDC)

- The attendant care system should be changed and expanded to fill the needs of work and family.

(BCDC)

- An advocacy system should be established to safeguard the rights and interests of vulnerable adults.

(BCDC)

- Employment programs for disabled people are inadequate. The government should proceed with its commitment to institute an employment equity program in the public and private sectors and to funding supported work programs. Subsection 16(1a) of Bill 7, dealing with reasonable accommodation, should be proclaimed, and a fund set up to cover undue hardship.

(BCDC)

- Additional funding should be provided for the assistive devices program, to facilitate the expansion and implementation.

(BCDC)

- Funding should be set aside to enable the visually handicapped to have access to written information; without such access they are unable to respond to issues of concern.

(BOOST)

### Social concerns

- Greater emphasis should be placed on directly addressing the needs of the poor, rather than on stimulating the economy and hoping the benefits will trickle down. Economic policy should both create jobs and address social needs.

(CPJ)

- A substantial budgetary commitment should be made to provide for the enhancement of social assistance programs.

(OPSEU)

- Women in conflict with the law need improved access to education, employment, housing and other social services.

(CEFSO)

- The government of Ontario should review existing, long term pilot programs of bail supervision, community service order, fine option and anti-shoplifting with a view to regularizing and funding adequately those which meet professionally agreed standards and community needs.

(CEFSO)

- Equivalent programming should be provided for both men and women in jails and detention centres.

(CEFSO)



- The Young Offenders Act should be critically evaluated following its first three years.

(CEFSO)

- Additional money should be provided to francophone daycare centres to offset long periods of unprofitability, to help cover the costs of publicity, transportation, recruitment and educational material.

(ACFO)

- Development agencies should be named within the Ministry to work with the francophone community in implementing francophone daycare centres.

(ACFO)

- The provincial government should assume a greater proportion of the cost of funding social services. For example, income maintenance should be funded 100% by the province, and the province should assume 100% of the cost of child care capital and direct grants, and a greater proportion of the cost of child care subsidies.

(AMO)

## FEDERAL-PROVINCIAL ISSUES

### Canada-U.S. Free Trade Agreement

- Ontario should clarify its adjustment plans with respect to the implementation of the Free Trade Agreement.

(RCC)

## TAX REFORM

### Tax Reform – Stage I

#### Personal Income Tax

- There is concern that the changes in personal tax affecting capital gains and dividends will reduce risk-taking and investment and, as a result, job creation and growth will suffer.  
(TSE, BCNI)
- The capital gains deduction should be eliminated, for a fairer and more progressive personal income tax system.  
(CAC)
- There should be full indexing of deductions and credits.  
(CAC and others)
- Ontario should demand a change in the personal income tax rates, which are unprogressive.  
(OPSEU)
- In order for tax reform to be effective, tax credits should be made fully refundable.  
(OFS)
- There is concern that the proposed elimination of the deduction for children over 18 may impact on the obligation that Ontario's Student Assistance Program places on a parent to finance a child's education.  
(OFS, AARO)
- Provincial income taxes should be reduced to help bring the top federal-provincial rates down towards 35%.  
(BCNI)
- Annual contribution limits for registered savings vehicles should be increased.  
(BCNI)
- Tax credits should be provided in lieu of investment income (interest) deduction, similar to pension income adjustment.  
(USCO)

Corporate Income Tax

- The provincial government should reduce provincial corporate tax rates in order to restore the competitive position of Ontario's firms, which was weakened as a result of certain federal corporate tax reform measures.

(TSE, Bell, BoT, BCNI)

- Ontario should reject those tax reform initiatives that would impact negatively on the Ontario economy, for example in the manufacturing and real estate sectors.

(BoT)

- The federal and Ontario governments should review their corporation tax audit and reassessment activities and take steps to eliminate unnecessary duplication.

(ONGA)

- The evaluation of the possible implications of a federal-Ontario corporation income tax agreement should consider fully the consequences for provincial policy flexibility.

(ONGA)

- Ontario should re-enter the federal/provincial corporate tax agreement, negotiating flexibility into the terms of the agreement to allow for the introduction of special measures, as deemed appropriate.

(BoT)

- Ontario should support the federal proposals concerning corporate loss transfers. They should be an integral part of corporate tax reform, and an understanding reached between federal and provincial governments to allow for consolidations for tax purposes.

(RCC)

- Ontario should develop a tax incentive program to promote R & D performance.

(BoT, Bell, BCNI)

- The Income Tax Act of Ontario should be amended, preferably retroactively, in order that the calculation of Ontario foreign tax credit be consistent with the equivalent federal (and other provincial) legislation.

(ThEW)

- Contrary to the statement in the Economic and Fiscal Review (p. 50), the property and casualty insurance sector of the financial services industry will not be able to adjust without difficulty to the proposed increases in income taxes on the financial sector.

(IBC)

- The insurance industry should be consulted well in advance if the government of Ontario intends to change the manner in which taxes are collected from either its customers or itself.

(IBC)

- Fibre optic lightguide systems should be eligible for 20% Capital Cost Allowance rate, in order to support renewal of Ontario's telecommunication infrastructure and allow international competitiveness. This could be achieved through amendments to Part II of the Corporations Tax Regulations.

(Bell)

- Corporate tax preferences and loopholes should be eliminated, especially those that further corporate concentration by encouraging unproductive take-overs. For example, there could be the removal of interest deductibility on money borrowed to finance take-overs.

(CAC)

- Ontario should repeal its capital tax. Until that occurs, there should be changes in the requirements for investments to qualify for the investment allowance computed under paragraph 54(1)(c) of the Corporations Tax Act.

(BoT)

- The tests prescribed to qualify for the Ontario small business income tax holiday should be re-examined with a view to broadening their application.

(BoT)

- There should be repeal of the Ontario legislation that disallows as an expense a portion of rents or royalties paid by an Ontario corporation to a non-resident with whom it deals on a non-arms-length basis.

(BoT)

- All municipalities in Ontario should be compelled to pay interest, at a uniform rate to that currently being charged on overdue taxes, on all overpayments refunded under Subsection 36(6) of the Assessment Act.

(BoT)

- Disability-related employment expenses should be deductible and the medical expense credit refundable.

(BCDC)

- The changes in corporate income tax benefit big businesses more than small businesses.

(OPSEU)

- Goodwill should be included in capital gains exemption.

(AARO, JC)

- Capitalization of carrying costs of vacant land and the put-in-use rate penalize developers.

(JC, OHSA)

- The government of Ontario should immediately call upon the federal government to adjust vehicle depreciation rates to the U.S. rate.

(OTA)

- The test to determine eligibility to write off farm losses should be revised.

(OFA)

- The elimination of special tax status for MURBs may reduce the supply of affordable housing.

(OHBA)

## Tax Reform – Stage II

- Federal-provincial coordination of sales tax is supported; the province is urged to press for early implementation of Stage II.

(Bell, BCNI, CGAAO)

- The federal manufacturers' sales tax should be replaced with a federal-provincial national sales tax.

(RCC, HH)

- It is important that the sales tax reform be completed as soon as possible in order to reduce the burden on many distribution companies now facing a mix of manufacturers' and wholesale taxes. In addition, there should be an adequate phase-in period.

(RCC)

- Ontario's position on supporting a national multi-staged sales tax should be clarified.

(RCC)

- The federal sales tax should not be shifted to the wholesale level.

(HH)

- Reform of the manufacturers' sales tax should occur conjointly with true revenue neutrality.

(CAC)

- The provincial government, in its negotiations with the federal government, should pursue the position that municipalities should not bear a greater tax burden under a national sales tax than they would under the existing sales tax regime.



- Services should be included in the sales tax base.  
(RCC)
- The government of Ontario should resist the federal tax reform proposals; the proposed sales tax is more regressive than the present tax, and the sales tax burden will be transferred from business to individuals.  
(OPSEU)
- The matter of sales taxes paid on cross-border transactions should be addressed in the context of the development of a national multi-staged sales tax.  
(RCC, OTA)
- VAT should not replace existing sales taxes unless it can be shown clearly that substantial economic and administrative advantages would be gained. ONGA also recommends that the potential for expanding the retail sales tax into a national system be examined, as an alternative to VAT, and that all options be open to full public discussion through the consultative process.  
(ONGA)
- Sales tax reform must be predicated on effective expenditure reduction. Three design features are vital; 1) a single federal-provincial tax, 2) uniform base with few exemptions, 3) adequate compensation to vendors for tax collection.  
(CFIB)
- Insurance premiums should not be subject to retail sales tax.  
(IBC)
- Ontario should recommend zero-rating the financial services industry with respect to the proposed multi-stage sales tax.  
(TSE)
- The province should continue not imposing its sales tax on the interim federal telecommunication services tax, and should revise taxing provisions to ensure that telecommunication services remain competitive.  
(Bell)
- Union should have a zero rating.  
(ONA)
- Universities should have a zero rating.  
(COU)

- The government should re-institute the exemption from sales tax on goods and services purchased by school boards.

(OPEN, OSTC)

- The province should urge the federal government to exempt certain community services from the proposed sales tax. For example, supplies used by a registered charity in the furtherance of its objectives should not be taxed, nor should room-and-board or room only rental arrangements, children's clothing or daycare.

(K-W)

- Basic commodities such as food and clothing should be taxable.

(CGAAO)

- The proposed amalgamated provincial-federal sales tax discriminates against new housing, compared to used residential real estate.

(OHBA)

- Foreign freight carriers that perform domestic freight services should be included.

(OTA)



## FISCAL MANAGEMENT

- Since the economy is expected to perform well, the Ontario budget deficit should be reduced to zero over the next two to three years, without tax increases. This can be achieved by maintaining a one percentage point differential between the average annual growth rates of expenditures and revenues over the next three years.

(ONGA)

- More should have been done to reduce the provincial debt in 1987, given the strong performance of the Ontario economy.

(BoT)

- The Ontario government must develop and make public a plan for elimination of the annual deficit and for repayment of the accumulated debt.

(CFIB)

- The next provincial budget should show a surplus as well as future plans for reducing the province's cumulative deficit.

(APMA)

- There is concern with the increase in the Ontario public debt and public debt interest, and that personal income taxes have risen at almost triple the rate of growth of personal incomes since 1985.

(BoT)

- The Ministry of Treasury and Economics should undertake an examination of all ministerial departments in order to determine where appropriate expenditure cuts might be made.

(BoT)

- Deficit reduction must be achieved through meaningful restraint, promised on value-for-money analysis of each program.

(CFIB)

- Property taxes should not be based on market value assessment, especially in times of volatile market prices.

(FOCAI)

- Retailers should be entitled to recapture taxes paid on tobacco products at the wholesale level which are not sold at the retail level because of loss or damage to the product.

(RCC)

- Changes to the income tax system should result in revenue gains for Ontario, as a result of economic growth stimulated by tax reform measures.

(RCC)

- Ontario should not increase its taxes at this time.  
(RCC)
- Direct and indirect taxes in the province should not exceed those in competitive jurisdictions.  
(APMA)
- Direct taxes should be lowered and replaced by higher indirect taxes, given the GATT subsidy code allowing governments to rebate indirect taxes on exports.  
(APMA)
- The increase in transfer payments to municipalities should be at least equal to the rate of increase in provincial revenues.  
(AMO)
- There should be increased funding for the unconditional grants program.  
(AMO)

## **APPENDIX B**

### **Order of Reference**

**STANDING ORDERS OF THE LEGISLATIVE ASSEMBLY**  
(April 1986)

- No. 90 (e) - Standing Committee on Finance and Economic Affairs which is empowered to consider and report to the House its observations, opinions and recommendations on the fiscal and economic policies of the Province and to which all related documents shall be deemed to have been referred immediately when the said documents are tabled;



## **APPENDIX C**

### **List of Witnesses**





STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

PRE BUDGET CONSULTATION

WITNESSES

1st Session, 34th Parliament

1988

MINISTRY OF TREASURY AND ECONOMICS

- Hon. Robert Nixon  
Deputy Premier, Treasurer of Ontario and  
Minister of Economics and Minister of Financial  
Institutions
- Dr. Bryan Purchase  
Assistant Deputy Minister and Chief Economist  
Office of Economic Policy
- Michael L. Gourley  
Assistant Deputy Minister  
Office of the Budget and Intergovernmental Finance
- Qaid Silk  
Assistant Director  
Macroeconomic Policy Group

THE FEDERATION OF ONTARIO COTTAGERS' ASSOCIATION INC.  
215 Morrish Road, Suite 105  
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284-2305

- Jean Anthon  
President
- John Beare  
Chairman, Taxation Committee

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- Fiona Nelson  
President, Association of Large School Boards  
in Ontario
- Arlene Wright  
President, Ontario Public School Trustees'  
Association
- James V. Sherlock  
President, Ontario Separate School Trustees'  
Association
- Ross Parry  
Director of Public Affairs, Ontario Public School  
Trustees' Association

ONTARIO PUBLIC SCHOOL TEACHERS' FEDERATION  
1260 Bay Street  
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- David Kendall  
President
- David Lennox  
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Ontario
- Beryl Potter  
Head, Scarborough Advocacy Centre for Disabled  
Persons and Their Families  
Spokesman, Trans-Action
- Bobby Sarlina  
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- Patrick Worth  
People First of Ontario
- David Baker  
Executive Director, Advocacy Resource Centre for  
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- Margaret Motz  
President, Social Planning Council of  
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- Edna Kidd  
President, Northern Ontario School Trustees'  
Association

- Arlene Wright  
President, Ontario Public School Trustees'  
Association
- David Kendall  
President, Ontario Public School Teachers'  
Federation
- Rod Albert  
President, Ontario Secondary School Teachers'  
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- Elaine Cline  
President, Federation of Women Teachers'  
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- Dr. Brian Segal  
Chairman, Communications Committee  
President, Ryerson Polytechnical Institute
- Dr. Jane Knox  
Professor, Department of Psychology, Queen's  
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- Dr. Edward DesRosiers  
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## **APPENDIX D**

### **List of Exhibits**



STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

PRE-BUDGET CONSULTATION

E X H I B I T S

1st Session, 34th Parliament

1988

- |                      |   |
|----------------------|---|
| EXHIBIT NO. 1/02/01  | ONTARIO HOME BUILDERS' ASSOCIATION - Response to the 1987 Pre Federal Tax Reform from Tom Cochren dated 26 August 1987.                               |
| EXHIBIT NO. 1/02/02  | BUSINESS COUNCIL ON NATIONAL ISSUES - Response to the Federal Government's White Paper, Tax Reform 1987, dated Ottawa, September 1987.                |
| EXHIBIT NO. 1/02/02B | BUSINESS COUNCIL ON NATIONAL ISSUES - Copy of the initial response to the White Paper dated July 20, 1987.  |
| EXHIBIT NO. 1/02/03  | ONTARIO FORESTRY ASSOCIATION - Submission to the Federal government's tax proposals dated July 23, 1987 from Jas. D. Coats, Executive Vice-President. |
| EXHIBIT NO. 1/02/04  | THE UNITED SENIOR CITIZENS OF ONTARIO - Brief to the Federal government's tax proposal dated 30 July 1987.  |
| EXHIBIT NO. 1/02/05  | Dr. A. K. RAY - Brief on Pre Budget Consultation and Tax Reform.  |
| EXHIBIT NO. 1/02/06  | CANADIAN BAR ASSOCIATION AND THE CANADIAN INSTITUTE OF CHARTERED ACCOUNTANTS - Joint submission on the Income Tax Reform Proposals of June 18, 1987.  |
| EXHIBIT NO. 1/02/07  | ONTARIO FEDERATION OF AGRICULTURE - Submission on Pre Budget and Tax Reform.  |

EXHIBIT NO. 1/02/08	THE CERTIFIED GENERAL ACCOUNTANTS ASSOCIATION OF ONTARIO - Proposals for Tax Reform dated August, 1987.
EXHIBIT NO. 1/02/09	JOINT COMMITTEE ON TAXATION OF THE CANADIAN BAR ASSOCIATION AND THE CANADIAN INSTITUTE OF CHARTERED ACCOUNTANTS - Recommendations on the federal tax reform proposals of June 18, 1987, dated September 1987.
EXHIBIT NO. 1/02/10	ONTARIO TRUCKING ASSOCIATION - Submission to the Federal Government Tax Reform Proposals, dated August 14, 1987.
EXHIBIT NO. 1/02/11	CANADIAN FEDERATION OF LABOUR - Submission concerning the 1987 Federal Budget dated December 3, 1987.
EXHIBIT NO. 1/02/12	AUTOMOTIVE AFTERMARKET RETAILERS OF ONTARIO - Submission by Financial Advisor, William T. Brown on Federal Tax Reform dated August 12, 1987.
EXHIBIT NO. 1/02/13	SOCIAL PLANNING COUNCIL OF KITCHENER-WATERLOO - Joint brief on Pre-Budget Consultation and Tax Reform.
EXHIBIT NO. 1/02/14	URBAN DEVELOPMENT INSTITUTE CANADA - Submission on the Federal Tax Proposals.
EXHIBIT NO. 1/02/15	ONTARIO NURSES' ASSOCIATION - Submission on Tax Proposals dated 13 August 1987.
EXHIBIT NO. 1/02/16	THE CERTIFIED GENERAL ACCOUNTANTS OF ONTARIO - Proposals for Tax Reform dated August, 1987.
EXHIBIT NO. 1/02/17	THE BOARD OF TRADE OF METROPOLITAN TORONTO - Submission concerning Tax Reform dated August, 1987.

EXHIBIT NO. 1/02/18	ONTARIO TRUCKING ASSOCIATION - Submission to the Pre-budget Consultation and Tax Reform dated January, 1988.
EXHIBIT NO. 1/02/19	CONSUMER'S ASSOCIATION OF CANADA (Ontario) - Submission concerning the federal government tax proposals prepared by Archie MacDonald, dated 5 February 1988.
EXHIBIT NO. 1/02/20	THORNE ERNST & WHINNEY, CHARTERED ACCOUNTANTS - Submission with respect to Section 3 of the Income Tax Act of Ontario ("Ontario Act"), dated 1 February 1988.
EXHIBIT NO. 1/02/21(a)	ONTARIO FEDERATION OF STUDENTS - Submission dated 5 February 1988.
EXHIBIT NO. 1/02/21(b)	ONTARIO FEDERATION OF STUDENTS, Research Department - Submission entitled "A Critical Examination of the Strategic Plans of the University of Guelph, Toronto and Queen's and the Current Funding Environment for Research" dated January 1988.
EXHIBIT NO. 1/02/21(c)	ONTARIO FEDERATION OF STUDENTS, Research Department - Submission entitled "The Impact of OS:15 Implementation on Post-Secondary Education in Ontario" dated September 1987.
EXHIBIT NO. 1/02/21(d)	ONTARIO FEDERATION OF STUDENTS, Research Department - Submission entitled "Issues for Native Students in Post Secondary Education" dated January 1988.
EXHIBIT NO. 1/02/21(e)	ONTARIO FEDERATION OF STUDENTS, Research Department - Submission entitled "Accessibility to Post-Secondary Education for Disabled Students in Ontario" dated January 1988.

EXHIBIT NO. 1/02/22	BELL CANADA - Submission entitled "Pre 1988 Ontario Budget" dated February 1988.
EXHIBIT NO. 1/02/23	INSURANCE BUREAU OF CANADA - Submission on Pre-Budget Consultation and Tax Reform dated February 1988.
EXHIBIT NO. 1/02/24	THE BOARD OF TRADE OF METROPOLITAN TORONTO - Submission to the 1988 Pre Budget Consultation dated January 1988.
EXHIBIT NO. 1/02/25(a)	CITIZENS FOR PUBLIC JUSTICE-ONTARIO - Submission entitled "Toward Economic Equity and Social Justice for All" dated February 1988.
EXHIBIT NO. 1/02/25(b)	CITIZENS FOR PUBLIC JUSTICE - Proposal entitled "Social Development and Job Creation Fund" dated 24 February 1988.
EXHIBIT NO. 1/02/25(c)	CITIZENS FOR PUBLIC JUSTICE - Submission entitled "A Vision for Tax Equity" dated 12 August 1987.
EXHIBIT NO. 1/02/25(d)	CITIZENS FOR PUBLIC JUSTICE - Submission entitled "Guidelines for Christian Political Service and Charter of Social Risks and Responses".
EXHIBIT NO. 1/02/26	THE ONTARIO NATURAL GAS ASSOCIATION - Submission entitled "Policies to Strengthen the Ontario Economy", dated February 1988.
EXHIBIT NO. 1/02/27	COUNCIL OF ELIZABETH FRY SOCIETIES OF ONTARIO-1988 - submission on the Provincial budget dated 1 February 1988.
EXHIBIT NO. 1/02/28	COUNCIL OF ONTARIO UNIVERSITIES - Submission entitled "Access and Quality in Higher Education and Research".



EXHIBIT NO. 1/02/29	LEGISLATIVE RESEARCH SERVICE - Pre Budget Consultation and Tax Reform Hearings : Summaries of Written Briefs submitted by Anne Anderson, Research Officer.
EXHIBIT NO. 1/02/30	LEGISLATIVE RESEARCH SERVICE - Tax Reform Proposals submitted by Anne Anderson, Research Officer.
EXHIBIT NO. 1/02/31	LEGISLATIVE RESEARCH SERVICE - Current Issue Paper #61 - Tax reform '87 entitled "An Overview of the Federal Government's White Paper of june 18, 1987, prepared by Ray McLellan, Research officer, dated October 1987.
EXHIBIT NO. 1/02/32	LEGISLATIVE RESEARCH SERVICE - Submission entitled "Tax Reform 1987, A Summary for Taxpayers" from Anne Anderson, Research Officer, dated December 1987.
EXHIBIT NO. 1/02/33	ONTARIO PUBLIC SCHOOL TEACHERS' FEDERATION - Submission with respect to the 1988 Ontario Budget.
EXHIBIT NO. 1/02/34	ONTARIO HOSPITAL ASSOCIATION - Submission to the 1988 Ontario Budget entitled "Hospital Funding Issues and Recommendations", dated 17 February 1988.
EXHIBIT NO. 1/02/35	ONTARIO ROAD BUILDERS' ASSOCIATION - Submission to the Pre Budget and Tax Reform hearings.
EXHIBIT NO. 1/02/36(a)	ONTARIO PUBLIC SERVICE EMPLOYEES' UNION - Submission to the Pre Budget Consultation and Tax Reform hearings, dated February 1988.
EXHIBIT NO. 1/02/36(b)	ONTARIO PUBLIC SERVICE EMPLOYEES' UNION - Brief entitled "Social Assistance for Today and Tomorrow", dated March 1987.

EXHIBIT NO. 1/02/37	HOME HARDWARE STORES LTD. - Submission with the proposal to shift the federal sales tax to the wholesale level, dated 14 January 1988.
EXHIBIT NO. 1/02/38	LEGISLATIVE RESEARCH SERVICE - Highlights and comments from the publication of the Ministry of Treasury and Economics entitled "Economic Outlook and Fiscal Review : Ontario 1987, received from Anne Anderson, Research Officer.
EXHIBIT NO. 1/02/39	THE ONTARIO SCHOOL TRUSTEES' COUNCIL - Submission to the 1988 Ontario Budget.
EXHIBIT NO. 1/02/40	THE FEDERATION OF ONTARIO COTTAGERS' ASSOCIATIONS INCORP. - Submission concerning cottage property taxation.
EXHIBIT NO. 1/02/41	MINISTRY OF TREASURY AND ECONOMICS - Brief entitled "Economic Outlook and Fiscal Review, Ontario 1987".
EXHIBIT NO. 1/02/42	LEGISLATIVE RESEARCH SERVICE - Submission of Policy Study No. 4, C. D. Howe Institute, entitled "Tax Reform - Perspective on the White Paper" from Anne Anderson, Research Officer.
EXHIBIT NO. 1/02/43	LEGISLATIVE RESEARCH SERVICE - Newspaper clippings on the budget dated 17 February 1988 from Anne Anderson, Research Officer.
EXHIBIT NO. 1/02/44	ONTARIO HOME BUILDERS' ASSOCIATION - Paper entitled "Containing the Costs of Housing in Ontario" submitted to the Treasurer of Ontario, dated January 1988.
EXHIBIT NO. 1/02/45	LEGISLATIVE RESEARCH SERVICE - Brief outline of the federal and provincial deficit calculations from Anne Anderson, Research Officer.

EXHIBIT NO. 1/02/46	EXHIBIT VOIDED
EXHIBIT NO. 1/02/47	GLOBE AND MAIL - Clippings dated 17 February 1988.
EXHIBIT NO. 1/02/48	ONTARIO NATURAL GAS ASSOCIATION - Submission entitled "Energy Supply".
EXHIBIT NO. 1/02/49	THE TORONTO STOCK EXCHANGE - Notes of remarks by Marie-Josée Larocque.
EXHIBIT NO. 1/02/50	THE TORONTO STOCK EXCHANGE - Submission entitled "Employee Share Ownership at Canada's Public Corporations".
EXHIBIT NO. 1/02/51	RETAIL COUNCIL OF CANADA - Commentary and recommendation with respect to the 1988 Ontario Budget.
EXHIBIT NO. 1/02/52	CITIZENS FOR PUBLIC JUSTICE - Opening statement to the Committee.
EXHIBIT NO. 1/02/53	ONTARIO CONFEDERATION OF UNIVERSITY FACULTY ASSOCIATION - Submission to the 1988 Ontario Budget.
EXHIBIT NO. 1/02/54	TORONTO LIFE, JANUARY 1988 - Article entitled "School of Hard Knocks" by Brian Shein, submitted by OCUFA to the Committee.
EXHIBIT NO. 1/02/55	THE ONTARIO PUBLIC EDUCATION NETWORK - Submission of 4 principal concerns to the Pre Budget Consultation process.
EXHIBIT NO. 1/02/56	THE ASSOCIATION OF MUNICIPALITIES OF ONTARIO - Submission entitled "A New Partnership" to the 1988 Provincial Budget.
EXHIBIT NO. 1/02/57	ASSOCIATION CANADIENNE-FRANCAISE de l'ONTARIO - French submission entitled "Un Investissement de Premier Ordre."

EXHIBIT NO. 1/02/58	ONTARIO ASSOCIATION OF ALTERNATIVE AND INDEPENDENT SCHOOLS - Interim report entitled "Ontario Education Policy Options Task Force" dated 18 January 1988.
EXHIBIT NO. 1/02/59	ONTARIO ASSOCIATION OF ALTERNATIVE AND INDEPENDENT SCHOOLS - Pamphlet entitled "Justice Now".
EXHIBIT NO. 1/02/60	ONTARIO ASSOCIATION OF ALTERNATIVE AND INDEPENDENT SCHOOLS - Submission of the Ontario Education Policy Options Task Force.
EXHIBIT NO. 1/02/61	THE FACTS - Article by Cy Conick in the January/February 1988 issue published by the Canadian Union of Public Employees.
EXHIBIT NO. 1/02/62(a)	CANADIAN FEDERATION OF INDEPENDENT BUSINESS - Submission on the Ontario Pre-Budget Consultation by Judith Andrew and Dale Botting.
EXHIBIT NO. 1/02/62(b)	CANADIAN FEDERATION OF INDEPENDENT BUSINESS - Submission of a summary of recommendations on the Ontario Pre-Budget.
EXHIBIT NO. 1/02/62(c)	CANADIAN FEDERATION OF INDEPENDENT BUSINESS - Copy of the Income Tax Act, Part 1.





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# Standing Committee on Finance and Economic Affairs

Pre-Budget Consultation, 1989

1st Session 34th Parliament  
38 Elizabeth II







The Honourable Hugh Edighoffer, M.P.P.  
Speaker of the Legislative Assembly

Sir,

Your Standing Committee on Finance and Economic Affairs  
has the honour to present its Report on its Pre-Budget  
Consultation, 1989 and commends it to the House.

A handwritten signature in cursive script, reading "David R. Cooke".

David R. Cooke, M.P.P. (Kitchener)  
Chairman

Queen's Park  
April, 1989



MEMBERSHIP OF THE  
STANDING COMMITTEE ON  
FINANCE AND ECONOMIC AFFAIRS

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\*CHRISTINE HART

TARAS KOZYRA

BOB MACKENZIE

GEORGE McCAGUE

KARL MORIN-STROM

\*\*ALAN POPE

- - - - -

Todd Decker  
Clerk of the Committee

Anne Anderson  
Research Officer

- \* Substituted for by Shirley Collins for adoption of the Report
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## INTRODUCTION

The Standing Committee on Finance and Economic Affairs is pleased to present to the Legislative Assembly its report containing recommendations and concerns about the economic and fiscal priorities of the province for the Ontario Budget for 1989.

In December 1988, the Committee began discussions with the Treasurer and with the Ministry of Treasury and Economics concerning the economic and fiscal position of the province, and the Ministry's forecast for the economy in the medium term, as outlined in the Economic Outlook and Fiscal Review: Ontario 1988.

The Committee subsequently held pre-budget consultations between January 8 and March 9, 1989 in order to provide the public with an opportunity to express their views on the forthcoming Budget. The Committee wished to hear from Ontarians from all regions of the province and all sectors of the economy and, accordingly, the pre-budget consultations were advertised extensively in print media across the province.

The Committee thanks the Legislative Research Service and, particularly, our Committee Researcher Anne Anderson, for her excellent assistance in writing what we believe to be a valuable report. We thank our clerk, Todd Decker, for a first class job in organizing the hearings and assisting us. In both cases, the Committee was visited with a great deal of professionalism.

Over 70 written briefs were received from organizations and individuals, 41 of whom made oral presentations before the Committee. A further eight delegations requested an appearance before the Committee but were unfortunately unable to be heard due to time constraints, and another eight declined the Committee's invitation due to scheduling problems; the Committee extends its regrets to these delegations.

Over half of the groups and individuals presenting briefs discussed in detail the reforms advocated by the Social Assistance Review Committee report, Transitions, released in August 1988. As a result, the Committee invited Mr. George Thomson, Chairman of the Social Assistance Review Committee, to brief them on this report.

He and his colleagues, Dr. Clarke MacDonald and Mr. Terry Meagher, generously gave their time and the Committee thanks them for a most informative discussion.

The Committee welcomed the opportunity to discuss issues with the delegations who appeared before them. While many of the concerns and recommendations raised by witnesses related directly or indirectly to the Social Assistance Review Committee report, there were many others that covered a wide variety of issues. The delegations were articulate and generous in sharing their wealth of expertise with the Committee, and the members of the Committee wish to thank all delegations for their important contributions to these hearings.

This report draws on the issues raised by the witnesses, both in these consultations and in preliminary hearings that the Committee held in the fall of 1988 on sales tax reform, but ultimately represents the concerns and priorities of the Committee. A full list of the recommendations and concerns of the witnesses is appended to this report (Appendix F), and will be brought to the attention of the appropriate ministries.

The Committee has carefully considered each of the issues raised. **The Committee is unanimous in its key recommendation, Recommendation No. One, concerning implementation of the Social Assistance Review Committee report, Transitions, Stage One.**

## ONTARIO'S ECONOMIC OUTLOOK AND FISCAL REVIEW

### **Economic Outlook**

Information provided in the Economic Outlook and Fiscal Review indicates that although Ontario's economy is slowing down from its rapid growth rate of around 4.5% in 1988, the province is nevertheless entering its seventh consecutive year of economic growth, with real growth of 2.9% forecast for 1989. This rate is considered as healthy and sustainable. The Committee notes that it is also somewhat higher than the rate forecast by organizations such as the Conference Board of Canada or the major banks, which estimate Ontario's real growth in 1989 to be in the range of 1.8% to 2.6%.

The main source of growth in 1989 is forecast to be from business investment in plant and equipment, reflecting healthy corporate profits and the need to eliminate production bottlenecks arising from continuing sales growth and high manufacturing capacity utilization rates. Investment in housing, previously a source of growth, is expected to moderate, as is consumer spending, and the economic pressures in the Toronto-centred region and other rapidly growing areas may also limit the rate of expansion. Housing starts are expected to reach 86,000 in 1989, down from a peak in 1987 of 105,000, restrained by rising house prices and interest rates.

The expected slowing down of the economy reflects the fact that the level of savings has been run down by consumers, spare capacity has been absorbed and there is an unemployment rate of 5%; consequently there will be less consumer spending and the ability to increase output will be constrained by limitations on available labour and capital. Also, trade will continue to restrain growth.

The manufacturing competitiveness of Ontario's industries is increasingly important as the province competes in the global marketplace, and, according to Treasury officials, currency fluctuations in recent years have been the major cause of variations in international competitiveness. For example, mainly as a result of exchange rate changes, Canadian compensation costs have risen since 1987 almost to U.S. levels, and Ontario hourly earnings (excluding benefits) for the manufacturing sector are generally in line with most major U.S. industrial states.

The Committee expressed concern at the recent increase in the value of the Canadian dollar in relation to the U.S. dollar, above the forecast level of 80-83 cents, and the impact that this may have on Ontario's competitive position, particularly in view of The Canada-U.S. Free Trade Agreement. The Committee also noted that the rapid 22.6% growth in 1988 of exports to countries other than the U.S. was largely a reflection of currency realignments.

The Committee is of the opinion that the province should continue to thoroughly monitor commercial and industrial changes such as plant closures and expansion, and respond accordingly. The Committee believes that rolling back social programs and labour standards should form no part of the government's strategic response to free trade and international competitiveness.

The Conference Board of Canada projects Canada's unemployment rate to be 7.7% in 1989, while the unemployment rate in Ontario is forecast to be 5.0%, unchanged from 1988 according to the Economic Outlook and Fiscal Review. This forecast rate is slightly lower than the rate projected by the Conference Board of Canada and some of the major banks. While Ontario's overall unemployment rate is 5.0%, the Committee had concerns about the high unemployment rates in some regions of the province. Further, the Committee heard that, although Ontario's unemployment rate had been declining, there had not been a corresponding decline in the number of welfare recipients. Concern was also expressed with the impact that the implementation of The Canada-U.S. Free Trade Agreement may have on plant closures and job losses in Ontario.

Regional disparities in unemployment are exemplified by the problems facing single-industry towns. Economic diversification is seen as one approach to the difficulties faced by these communities.

The Economic Outlook and Fiscal Review notes that between 1985 and 1988, manufacturing productivity had grown an estimated 11.8%, mainly from investment in new machines using more productive technologies. However, while expenditures on research and development by Ontario manufacturers have increased, they are still less than half the levels of their counterparts in the United States as a proportion of output.



## Fiscal Review

The Committee notes from the Economic Outlook and Fiscal Review and Ontario Finances: Quarterly Update (December 31, 1988) that the province's net cash requirement in 1988-89 has been reduced to \$271 million from \$1.3 billion in 1987-88, and its budgetary deficit to \$1.5 billion from \$2.5 billion. Expenditures in 1988-89 are expected to be \$38.2 billion, 67% of which include health, education and social services. Total revenues are expected to be \$38.4 billion. Over 70% of the province's revenues are raised by taxation, with personal income tax, the largest component, accounting for 29%. Retail sales tax revenues in 1988-89 are expected to be \$7.8 billion, raising 22% of revenues, an increase from 18% in 1987-88. The largest categories of revenue foregone in 1988-89 are retail sales tax expenditures on professional services (\$3.7 billion) and commercial services (\$2.0 billion).

Ontario has a total debt of \$38.8 billion in 1988-89, which compares favourably on a per capita basis with other provinces. In addition, Ontario Hydro has a level of debt valued at \$25 billion in 1987-8, 38% of which is in U.S. dollars and subject to gains and losses as a result of currency fluctuations. It has been estimated by Treasury officials that for a one cent change in the exchange rate from 81 cents U.S. to 82 cents U.S., the value of Ontario Hydro's U.S. debt outstanding as of December 31, 1987 would fall by \$112 million.

## **SOCIAL ASSISTANCE REVIEW COMMITTEE REPORT: TRANSITIONS**

The overwhelming concern raised by the majority of delegations appearing before the Committee was the need to implement Stage One of the Social Assistance Review Committee report, Transitions. The Social Assistance Review Committee (SARC) was established in 1986 to determine what should be "the guiding principles and objectives of social assistance and related programs." The province's current welfare system had been designed to meet the problems of a different age, and SARC represented the first serious look at Ontario's social assistance programs in more than 20 years.

SARC released its report in September 1988. It presented a profile of the recipients of social assistance that is far removed from the stereotypical image. Of the over half a million people who benefit from social assistance in Ontario, over 40% are children under the age of 18, almost 18% are sole-support parents, mostly women, and another 18% are people with disabilities. Less than 10% are unemployed, employable persons. The employable recipients are dependent on social assistance for an average of seven months; 40% leave after three months.

SARC found that the present social assistance system has policies and objectives that are "unstated, often multiple, and often conflicting." The system includes financial disincentives and lack of support that prevent or deter its recipients from entering the work force; it thus perpetuates the cycle of poverty and increases the discrepancy between the rich and the poor.

Numerous groups spoke eloquently of the disincentives that trapped social assistance recipients. Examples included the treatment of the costs of child care for single parents, the level of taxback rates on earnings, and the removal of drug benefits for the disabled.

SARC states that the fundamental objective for reforms both within and outside social assistance should be as follows:

All people in Ontario are entitled to an equal assurance of life opportunities in a society that is based on fairness, shared responsibility, and personal dignity for all. The objective for social assistance therefore must be to ensure that individuals are able to make the transition from dependence to autonomy, and from exclusion on the margins of society to integration within the mainstream of community life.

Transitions: Summary, p.3

Mr. George Thomson, Chairman of the Social Assistance Review Committee, indicated that the four factors affecting the recommendations that are in Transitions are: a realization of who is on social assistance; how the present system compounds the problems; that the level of allowances is inadequate; and that there could be a real payoff if incentives and supports were provided.

The report recommends a fundamental reform of the social assistance system and provides 274 recommendations as a "blueprint for change." These recommendations are summarized by the Social Planning Council of Metropolitan Toronto as being a coordinated set of initiatives designed to assure adequate levels of income support, incentives to seek and retain work, support services that furnish people with the resources necessary to overcome barriers to employment and/or community participation, assistance in dealing with the high cost of housing, and effective integration with other elements of the income security system.

The recommendations are to be implemented in five stages; Stage One focuses on reimbursing shelter costs more adequately, increasing monthly benefit levels, eliminating some unfair rules and procedures, and starting the process of replacing financial disincentives with incentives. Stages Two and Three involve new legislation such as merging general welfare and family benefits legislation and its implementation; Stage Four proposes income supplementation to the working poor; and Stage Five recommends broader income security reforms.



The costs of implementing Stage One have been estimated by SARC to be around \$400 million (in 1988 dollars), mostly for shelter subsidies. The Treasury estimates are higher, at around \$600 million. Some of the difference in these estimates may be that SARC only costed social assistance, and did not include costs of other programs such as child care. Costs have also risen in the meantime, with inflation and with rapid increases in the price of accommodation. Half of the cost may be shared with the federal government under the Canada Assistance Plan, which at present is open-ended, so that the cost to the province would be \$200 - 300 million for Stage One.

Groups such as the SARC Consultation Group emphasized that implementing the SARC report is not only good social policy but good economic policy: the reforms would transform a \$2 billion-a-year system that does not work into one that does; improving work incentives would improve the skill level of the labour force and add taxpayers; and the reforms would reduce the hidden costs of poverty such as child welfare, juvenile justice and mental health. Groups representing the handicapped believe that the removal of disincentives and barriers to employment, and the provision of more adequate social assistance levels, will help their community to live more independently and with more dignity.

Many delegations addressed the costs of implementing the SARC report from an investment perspective, as an investment in human capital. Studies were cited by groups such as the Child Poverty Action Group that suggest a link between growing up in poverty and problems with health, mental health, juvenile justice and the level of high school drop outs. The Committee heard that the risks of "marginalizing" young people through an upbringing that is below the poverty line have serious social, health and education consequences for the pool of talented and motivated youth. With over 40% of social assistance recipients identified as children, a reduction in child poverty may lead to reduced costs of health care and improved quality in education, both government priorities. Improved education will also prepare the workforce to be more highly skilled, and therefore more competitive.

Any investment in the social assistance system may therefore have pay-offs in other areas of government priority, such as health care and education. Expenditures in these two areas accounted for over half of Ontario's expenditures in 1988-89, while social service and income support expenditures accounted for 15%. The Ontario Public

Health Association stated that implementing Stage One is a greater priority than the equivalent infusion of funds into the health care system, and will benefit more Ontarians.

Some members of the Committee expressed concern about the effectiveness of Stage One without corresponding structural reforms, both those included in later stages, and current aspects such as the lack of day care spaces. There were also concerns that any rate increases to recipients for shelter costs would be passed to the landlord. Nevertheless, some delegations believed that the implementation of Stage One alone would be preferable to no implementation at all.

The Committee, in attempting to evaluate the costs and benefits of the SARC report, looked at programs in some other jurisdictions. In Massachusetts, the Employment and Training Choices Program, which has some similar characteristics to the SARC recommendations on opportunity planning, is reported to show net savings. Estimates vary of annual welfare savings from the program, taking into account program costs, but all indicate substantial net savings.

Many groups emphasized the importance of a statement concerning implementation of the SARC reforms in the forthcoming Budget. They point out that there is a window of opportunity open at the moment for the province of Ontario to take a leadership role in addressing poverty, with a groundswell of support from a wide cross-section of groups and individuals. Also, the crises in health, education and social services are all linked to the issues of the SARC report. Finally, the over 1,500 groups involved in the report invested their time and resources, and strongly believe that this report provides an opportunity to make some dramatic changes. They urge the government to implement Stage One in the 1988-89 Budget as an indication of the province's intentions.

Members of the Committee recognize the need for reform of Ontario's social assistance system, and support in principle the recommendations of the SARC report. The Committee is persuaded of the urgency and necessity of improving Ontario's social assistance system. The members of the Committee are of the opinion that implementation of Stage One represents an investment in the people of Ontario with significant benefits to follow. The Standing Committee on Finance and Economic Affairs believes that it is fiscally responsible to implement Stage One.

1. **The Committee endorses the Social Assistance Review Committee report, Transitions, and recommends complete implementation of Stage One.**

Members of the Committee felt they had insufficient data concerning the long-term costs and benefits to the province and the people of Ontario of fully implementing the SARC report. Some of this information is in the process of being compiled by the Ministry of Community and Social Services, but is not yet available. A number of groups indicated that the net cost was likely to be less than the estimated cost, as recipients of social assistance moved from welfare to being productive, taxpaying workers, with fewer demands on other social services. However, no groups had the resources available to be able to quantify these benefits.

Given the links between poverty, health, education and other government services, a full cost-benefit analysis is needed to look at the costs and benefits across all ministries, and over a period of time. In this way, any future benefits in, for example, reduced health costs as a result of investment today in social services, would be included as an important part of the total investment decision for the Treasurer in allocating resources in this and future Budgets.

The Committee therefore recommends that:

2. **The government should proceed with a cross-ministry cost-benefit analysis of the recommendations in all stages of the SARC report, and such an analysis should be completed as quickly as possible.**

Finally, the Committee recognizes the importance of the role of the federal government in sharing the costs of implementing the SARC report under the Canada Assistance Plan. In order for the provincial government to be able to cost reliably and plan for the reforms to its social assistance system, some assurance is needed that the present cost-sharing arrangements will continue and be improved. The government of Ontario is therefore urged to have thorough consultations and discussions with the federal government, as well as with the municipalities and other provinces, on the fiscal plans for the Canada Assistance Plan and the joint financing of the elements thereof.

## Social and Economic Policies

Policies that are aimed at generating economic growth often reflect the belief that a growing economy will automatically generate social well being. Where they do not, the government may provide a safety net to meet those social and economic needs that individuals are not able to meet themselves. The government's two strategies of promoting economic growth and of providing a safety net tend to be considered as separate issues, and may conflict with each other so that, for example, the provision of social programs is seen as an impediment to economic growth, or vice versa. However, the problems highlighted by the Social Assistance Review Committee report, Transitions, demonstrate that social and economic policies are interrelated, and that investments in one area may have costs or benefits in the other area. Groups such as the Citizens for Public Justice further argue that current economic policies produce social inequities.

The Committee concurs that social and economic policies are likely to have an impact on each other and believes that it is necessary for these policies to be integrated for the overall socio-economic well being of the citizens of Ontario. In order to monitor the socio-economic health of the people of Ontario, it would be helpful to include some social indicators, such as income distribution measures, in the Economic Outlook and Fiscal Review.

The Committee therefore recommends that:

3. **The government of Ontario should establish a Provincial Roundtable on Social Policy and the Economy, to provide for the integration of social and economic policies.**



## FISCAL RESPONSIBILITY

The Committee strongly endorses in principle the recommendations of the SARC report, Transitions, and believes that the implementation of these recommendations is the priority for the province. The Committee also fully understands that these recommendations bear a cost that is not yet fully determined.

A number of delegations placed a high priority on the need to reduce the deficit and balance the budget, especially while the economy is healthy. Some briefs emphasized the need to reduce the public debt. Although the budgetary deficit has been decreasing, the total debt has been increasing and in 1988-89 is estimated to be \$38.8 billion. With increasing interest rates, the portion of the provincial budget servicing the debt could rise from its present level of 11% of budgetary expenditures.

The Treasurer pointed out that the province has a surplus of over \$1 billion in its day-to-day financing, and this surplus goes towards capital expenditures of almost \$3 billion. Financing almost half of capital costs out of cash flow would in many cases be considered conservative financing.

Some members of the Committee have reservations about requiring the Treasurer to present a balanced budget. Rising interest rates, the possibility of a faster downturn in the economy than predicted, or changes in the level of transfer payments from the federal government could cause a shortfall in revenue; in this case, a balanced budget would require additional expenditure cuts, possibly in social programs. Nevertheless, the Committee noted that at December 31, 1988, the net cash requirement of the province had been reduced to \$271 million, and felt it is a reasonable objective to eliminate it. It is especially necessary to do this while the economy is still growing at a healthy and sustainable rate.

The Committee therefore recommends that:

4.           **The Treasurer should work towards eliminating the Net Cash Requirement and continue to reduce the annual deficit.**

The Committee reiterates its previous position that the government should make a concerted effort in meeting the needs of the province in a fiscally responsible manner and in planning a responsible approach to continuing the budgetary deficit reduction. However, while the Committee would like to see the net cash requirement and the deficit reduced while the economy is healthy, members are unanimous that implementation of the SARC report is the first priority and balancing the budget should not be done by rejecting the reforms to the social assistance system. Accordingly, suggestions for revenue generation to help fund this and other priorities are made.

## REVENUE SOURCES

Testimony from the Social Planning Council of Metropolitan Toronto indicates that Ontarians paid lower personal income taxes in 1987-88 than the average for the other nine provinces. It further shows that alcohol and tobacco taxes were relatively less in Ontario, as were gasoline and diesel fuel taxes and vehicle licence fees. The Economic Outlook and Fiscal Review also indicates that Ontario's overall provincial-local tax effect is slightly less than the national average.

Ontario's taxpayers are currently subject to one of the lowest rates of personal income tax in the country. Ontario's personal income tax is based on a percentage of the federal tax rate with surtax added. There are tax reductions and tax credits for low-income taxfilers. The Economic Outlook and Fiscal Review shows that the top marginal, combined federal-provincial rate for a single, employed taxpayer is 46.1% in Ontario, compared to the highest rate of 51.1% in Quebec; only British Columbia and Alberta have a lower rate. According to the Canadian Tax Foundation, in 1988 low-income earners in Ontario did not pay provincial income tax until they had a minimum net income of \$8,025 compared to over \$6,000 in almost all other provinces.

Increasing the overall personal income tax rate by one percentage point is estimated by Treasury officials to yield \$210 million. An increase in one percentage point of the retail sales tax on alcohol sold in retail outlets may yield \$28 million while increasing the tax on tobacco by one cent per pack of 20 may yield an additional \$10 million.

The Ontario Federation of Students suggests several measures to raise additional revenue. Some European countries, such as West Germany, Switzerland, Sweden and Norway, have a net wealth tax which is based on a percentage (between 0.1% and 3%) of the net value of assets. The Federation estimates that a net wealth tax of 1% would generate \$400 million to \$600 million for the province if imposed at the federal level or \$800 to \$1,200 million if imposed by the provincial government, an estimate which they have confirmed with the Canadian Tax Foundation. France has recently reintroduced a "Solidarity Wealth Tax" that would take between 0.5% and 0.9% annually from an individual's net worth once it exceeded a certain value and which would be used to finance a guaranteed minimum income. One consequence reported of France's previous wealth tax was that it prompted wealthy citizens to move large portions of their money out of the country.



A further suggestion from the Ontario Federation of Students is to introduce a special, graduated tax on higher-income earners. They estimate that such a tax ranging from, for example, 2% starting at an income level of around \$50,000 to 8% or 10% over \$200,000, might generate \$1.3 billion to \$1.7 billion of additional revenue.

Other suggestions made by groups such as the Citizens for Public Justice were to introduce a minimum corporate income tax or increase the corporate income tax rate. Corporations tax currently is responsible for 12% of Ontario's budgetary revenues, a smaller percentage than personal income tax (29%). Several business groups, on the other hand, stressed the need to keep corporate tax rates low in order to help them to be more competitive with other jurisdictions. The Committee notes that the United States is one of the few countries that imposes a minimum tax on its corporations.

Some groups, including the Ontario Federation of Students, proposed a land speculation tax that might be imposed on all new housing purchases that were not occupied by the owner. As well as generating revenues, this tax would be targeted to stop the escalation of house prices by speculators and help "cool off" the housing market.

The Mississauga Real Estate Board expressed opposition to a possible increase in the land transfer tax. Any major adjustment to this tax may run the risk of over-depressing the market, with a subsequent decline in revenues to the government.

Additional suggestions included introducing succession taxes, eliminating the special treatment of capital gains exemption, or imposing a business services tax. A special training tax for adjustment purposes could be deducted from payroll.

The Committee is very appreciative of those groups that made suggestions for how to fund the expenditures requested. Recognizing the substantial demands placed on the budget by the first recommendation and other programs, the majority of the Committee puts forward the following possible revenue-generating measures for consideration:

5. **The Treasurer should consider the following measures for increasing revenue:**
- a) **increases in the Personal Income Tax;**
  - b) **a Net Wealth Tax (excluding principal residences);**
  - c) **an increase in the surtax on high-income earners;**
  - d) **increased taxes on tobacco and liquor; and**
  - e) **a minimum corporate tax, provided Ontario's competitive position internationally is not diminished.**

The use of lot levies to finance growth-related needs has generated considerable discussion. The Association of Municipalities of Ontario is opposed to the government Green Paper that proposes to open up access to lot levies as a source of revenue to school boards. It feels that the revenues will be used to augment provincial funding and that new lot levies run counter to the policy of the government to increase the supply of affordable housing. The Ontario Public School Boards' Association, however, recognizes that under certain conditions, and if access to lot levies will help pay for the local share of new pupil spaces and will be used as a supplementary and temporary source of funds in situations of rapid growth in demand for schools, their introduction is legitimate.

6. **The Committee endorses the concept of opening up lot levies as a source of revenue for Boards of Education, with a particular exemption for low-cost, affordable or non-profit housing projects.**

## SOCIO-ECONOMIC ISSUES

### Education

#### Elementary and Secondary Education

Delegations appearing before the Committee on behalf of the elementary and secondary school community noted with concern that, while the actual provincial expenditures on education costs have increased each year, the share of the approved and unapproved costs borne by the provincial government has declined. The Ontario Public School Teachers' Federation stated that the current grant structure, which was designed almost two decades ago, does not reflect either the changes in elementary education or the demands being placed on it today.

The Committee therefore recommends that:

7. **The government should increase, in a phased program, its share of funding to elementary and secondary education to 60% of approved budgetary expenditures and mandated programs.**

Groups also expressed disappointment in the proposal to reduce the rate of provincial grants on all school capital projects from 75% to 60% on average. The Ontario Public School Boards' Association, however, gave conditional support for the use of lot levies for school board growth-related capital needs. Their support is conditional on factors that include having a review after three to five years, using the funds only for new pupil spaces and as an additional rather than primary source of funds, and applying the funds to growth needs arising from both development and redevelopment.

#### Post-secondary Education

Post-secondary education in colleges and universities, together with elementary and secondary education, is viewed as one of Ontario's priorities. A skilled and educated workforce plays an essential role in Ontario's competitiveness as well as enabling people to attain high levels of personal creativity and satisfaction. The Committee endorses the principle that the province needs excellent post-secondary institutions. Members also discussed the role of community colleges in relation to both universities and high schools, and suggest that these institutions should work together to deal with the problems of affordability and accessibility.

Both the Council of Ontario Universities and the Ontario Confederation of University Faculty Associations assert that it has become impossible, with the present level of funding, for universities to continue their role without a reduction in quality. Further, universities have little freedom to generate additional funds in support of their activities. Comparisons with other provinces and with private and public universities in selected American states indicate that Ontario universities are relatively underfunded.

The Committee therefore recommends that:

8. **In order for Ontario's universities and colleges to be internationally competitive, the government should provide additional funds for research, capital expenditures and operating grants.**

The Ontario Federation of Students addressed the issue of student aid. The Committee was sympathetic to the difficulties and inequities encountered by students applying for financial support from the Ontario Student Assistance Program (OSAP). The methods for assessing student costs or the expected level of parental contributions were given as examples.

The Committee therefore recommends that:

9. **The government should undertake a review of the Ontario Student Assistance Program and remove any major inequities.**

### **Training and Adjustment**

The increasing liberalization of trade, as well as the globalization of manufacturing with its development of new patterns of specialization, are having profound implications for Ontario's industries. As Ontario industries face increased competitive pressures, there may be a considerable number of layoffs and plant closures.



Several delegations addressed the issue of training and adjustment. The Ontario Federation of Labour would like to see plant closure legislation strengthened as an essential aspect of adjustment policy, and paid particular attention to the impact on older workers, visible minorities, women workers and immigrant workers whose occupational and language skills are below average. The Canadian Federation of Independent Business, in a written brief, states that flexible, creative and effective adjustment mechanisms and strategies on the part of government, business and labour are needed to assist firms to compete. More generally, the Ontario Natural Gas Association suggests ensuring that programs be available for educating and training the least-well-educated unemployed so that they can have the opportunity to join Ontario's skilled workforce.

The Committee endorses the view expressed by the Social Planning Council of Metropolitan Toronto that there should be greater integration of labour market adjustment programs with sector-specific and regionally-based development strategies. The Committee discussed occasions in the past when such programs either did not exist, or had not worked, and raised the issue of retroactivity. A policy framework should also seek to integrate better the private and institutional components of employment and skills training systems.

The Committee therefore recommends that:

10. **The government should recognize the need for an adjustment policy and increase the monies available for training and adjustment.**

## **Health**

Ontario is estimated to spend \$12.6 billion on health care in 1988-89, or about 33% of the province's total expenditures. Health care expenditures have more than tripled in the last decade and for most of this period have grown faster than Ontario's economy. Health care expenditure per capita in 1987-88 was \$1,285, about 9% above the average of the \$1,175 per capita spent in the other nine provinces.

Major categories of health care expenditures are hospitals, OHIP and the Ontario Drug Benefit Plan. Expenditure on the operation of hospitals in 1988-89 is estimated to be \$5.5 billion, or \$581 per capita, with an average growth rate of 9.5% per year over the last decade. Allocations in 1989-90 are approximately \$6 billion. OHIP expenditures in 1988-89 are estimated to be \$4.0 billion, or \$426 per capita. While the Ontario Drug Benefit Plan accounted for a relatively small proportion of health care expenditures, an estimated \$569 million in 1988-89, it has increased almost 550% over the last decade.

The Ontario Hospital Association emphasized the need for an adequate level of operating funding. They presented a case for additional monies, both for general operating support to reflect the revised forecast of hospitals' requirements, and in recognition of extraordinary costs such as pay equity salary adjustment to be incurred in 1989-90. The Ontario Public Health Association, in contrast, emphasized a re-ordering of health care priorities away from sickness treatment to sickness prevention; they proposed re-allocating health expenditures towards health promotion programming and community-based support services.

The Committee heard concerns from several delegations regarding funding for mental health and other disorders. It endorses the views expressed that a greater proportion of the total health care budget should be directed towards mental health funding, in particular for community mental health, a more equitable distribution of resources for children's mental health services, and towards schizophrenics.

The abuse of the Ontario Drug Benefits Plan, with its escalating costs averaging an annual increase of 20.4% over the last decade, is of great concern to the Committee. The Committee discussed other areas of potential abuse of the system, and anxiously awaits the release of the results of the Lowy Commission investigating this subject.

The Committee is fully aware of the large proportion of the provincial budget that is directed towards health care and is reluctant to advocate additional expenditures as a priority. Current studies indicate that significant savings in health care costs could be achieved with more efficient sickness treatment.

The Committee therefore recommends that:

11. **Health care costs should be contained through the reorganizing of priorities and the use of the most cost-effective and efficient programs, with an emphasis on models of preventive health care such as community health centres.**

### **Community Service Organizations**

The Committee recognizes that professional service workers in non-governmental organizations suffer extremely poor salary conditions. For example, the Committee heard of the difficulties of staff members in Young Offender transfer agencies not only in realizing an adequate salary, but in receiving around \$10,000 per year less than their civil service counterpart; similarly the workers in all homemaker or attendant care programs should be more adequately recompensed.

12. **The Committee endorses the need to improve the salaries and working conditions in community service organizations through enhanced transfer payments.**

### **Child Care**

The Committee heard excellent representations on the need for quality child care. It accepts the need for more availability of child care spaces, especially in view of the opportunity planning proposals in the SARC report. Again, these social investments have economic implications. The Ontario Coalition for Better Child Care estimates that in the long run it will cost more to provide for single parents on welfare than it will to provide subsidized child care spaces that will enable the parent to work.

The Committee therefore recommends that:

13. **The government should reaffirm its commitment to quality child care by enhancing salaries for child care staff, providing monies for improved programs and increasing availability.**



## Disabled Community

The Committee heard from several groups representing the disabled community, many of whom made presentations endorsing the SARC report. Testimony indicated that unemployment rates for the disabled remain very high. In Europe, where there are hiring targets for disabled people, the unemployment rates for disabled people are substantially lower. The Committee was saddened to find how little progress had been made in Ontario over the last few years in increasing the percentage of disabled people who are employed. The Committee strongly endorses the view expressed by the Blind Organization of Ontario for Self-Help Tactics that the disabled should be given the opportunity to improve the quality of their lives. Help should be given to assist these people in finding employment, for example, with better access to equipment and training, and legislation should be introduced to encourage affirmative action or employment equity programs for the disabled. As emphasized in the SARC report, financial assistance provided now will reduce expenditure in the long term.

The Committee noted that, with up to an estimated 80% of information disseminated in print form, disabled people who are visually impaired or quadriplegic are unable to keep informed. However, technology is available that will readily allow the transfer of material typed into a computer to be quickly converted into Braille, so that government information, for example, could be accessed by the blind on request.

The Committee was pleased to note that there have been some improvements in the funding levels of the Assistive Devices Program. Nevertheless, the changes are slow and not necessarily reflective of the actual costs of equipment.

The Committee recognizes that the disabled are not making adequate progress in terms of jobs or the attendant care needed to allow them to live independently.

14. **The Committee strongly endorses increased funding for handicap programs, including the Assistive Devices Program, and specifically encourages the government to make greater efforts to insure increased employment opportunities for the disabled.**

## INFRASTRUCTURE

### Transportation

Roads and highways are an essential part of community life, and a critical component in determining Ontario's competitive position. Delegations repeated the concerns expressed last year at the lack of financial support to build and maintain new roads, not only in the congested areas of southern Ontario, but to improve accessibility in the North. Information presented by the Ontario Road Builders' Association demonstrated that expenditure on capital and construction of the provincial highways decreased annually in the first half of this decade. By 1988-89 these expenditures had increased, but only by 9.1% over 1980-81. Further, the delegation pointed out that over the last eight years, road budgets have fallen behind in relative terms compared with other provincial expenditures: Ministry of Transportation expenditures increased by 56%; in comparison, the health budget increased 136%, community and social services by 147% and education by 94%.

The Committee has recognized the importance of maintaining and increasing the province's infrastructure in its previous report and notes that some additional funds have been allocated to roads and highways. However, the allocations have been insufficient. The Committee is concerned that as a result of provincial underfunding and increasing road usage, the roads and highways are showing signs of deterioration, and will continue to do so. Suggestions were made that the Ministry of Transportation should endeavour to identify for each road the length of time remaining beyond which repair is infeasible or uneconomic.

The Committee understands that it has a responsibility to suggest ways in which additional expenditures can be funded. Arguments were put forward that a tax that was specifically designated for roads would be acceptable, and would enable the public to link payment with usage. There were reservations, however, that such a tax should be equitable and borne to a greater extent by the large commercial vehicles that place heavier demands on the roads' surface than by private vehicles. Other members of the Committee were not convinced that a designated tax would be an improvement over a general increase in some other tax.

The Committee therefore recommends that:

15. **The government should make long term commitments, seek federal participation and develop new funding techniques in order to increase its financial involvement in road repairs and construction so that Ontario can retain its leadership role in maintaining both economic growth and quality of life.**

## **Housing**

Escalating house costs, the difficulties in finding affordable housing, and the homeless have emerged as major issues in recent months. Adequate housing is essential to Ontario's economy and social well-being and the joint statement by the Ministry of Housing and Ministry of Municipal Affairs proposes measures to increase the supply of affordable housing. The Ontario March of Dimes applauds this initiative but is concerned that the 25% minimum target for affordable housing may be insufficient, especially in view of the special housing needs of disabled people. Increasing shelter allowances, as recommended by the Social Assistance Review Committee in its report, Transitions, will help to address the affordability issue, but may also increase demand for housing that is not available.

The issue of affordable housing was addressed by the Ontario Federation of Students, which suggests using a land speculation tax to cool down the market and help young families buy homes. The Mississauga Real Estate Board opposed increasing the land transfer tax on the basis that it was a threat to affordable housing, especially for first time home-buyers. There was discussion over the need to investigate the impact of rent controls on the affordable housing market, and the effectiveness of a land speculation tax or land transfer tax at cooling down the housing market.

The Committee considered ways to increase the supply of serviced land available for housing. Arguments were made that the planning and approvals process was slow, and that speeding it up would make land more quickly available for housing. In some areas, a large amount of the land is owned by only a few people, who control the speed at which the land is placed on the market in order to maintain a high price. Provincial policies over the development of its own land holdings were examined. Suggestions

were made that, as there may not be enough suitable land to solve the housing problem, municipalities could be encouraged to get involved in the land holding business in order to increase the supply of land available for affordable housing.

The Committee therefore recommends that:

16. **The government should address the problems in the availability of land for housing by improving the approvals process and it should facilitate municipal involvement in land assembly and development for affordable housing.**

Availability of land is not the only factor in the housing problem. Industries in urban areas have been encountering difficulties in attracting employees for expansion of their operations because of the high cost of housing. The housing problem is acting as a constraint on the ability of industry to grow. The movement of government ministries and of industries to other areas of the province will help to reduce the demand on housing in the major urban centres, encourage economic development in the less developed regions, and promote industrial growth.

The Committee therefore recommends that:

17. **The government should continue its policy of decentralization and relocation of ministries, and promote industrial development in low growth and underdeveloped regions of the province.**

## **Municipalities**

The Committee heard strong concerns expressed about current provincial-municipal relations. In particular, the Association of Municipalities of Ontario states that the increasing range of responsibilities of municipal governments and provincial underfunding of new and existing programs is leading to an increasing reliance on property taxes. In particular, the flatlining of the unconditional grant program makes it difficult to cost-share the other conditional funding areas such as day care, transit,



sewers and water. In view of the importance of the municipalities' role in enhancing community life in Ontario, the Committee feels that the funding of unconditional grants should at least be constant in real terms, and therefore adjusted for inflation.

The Committee therefore recommends that:

18. **The government should ensure that the unconditional grants to municipalities should be increased annually by at least the amount of inflation.**

The Association of Municipalities of Ontario further commented that statements and actions by the province appear contradictory to the municipalities, and create confusion and uncertainty in their relationship with the provinces and in their budgeting process. The Committee endorses the AMO's concept of consultation between the different levels of government to encourage cooperation on all aspects of local financing. However, the Committee would add that it would be important for all levels of government to be involved, including school boards, municipalities and the regions, as well as the province and federal government.

The Committee therefore recommends that:

19. **The government should establish consultation on local financing among the federal government, province, regional governments, municipalities and school boards in order to develop a responsive financial partnership.**

## TOURISM

The tourism industry in Ontario plays a significant role in the economy over all regions of the province. The brief from the Action Committee on Tourism states that the industry had sales of \$21.3 billion in 1987 in Ontario, with expenditures valued at 6% of the Gross Provincial Product, and accounted for one out of every ten jobs. Government initiatives, such as the Tourism Redevelopment Incentive Program (TRIP), have contributed to the industry's success. The TRIP program provided loan guarantees and interest subsidies to Ontario businesses in the tourism sector, and in 1987 accounted for nearly \$30 million in loan guarantees and subsidized interest at a cost of \$3.75 million. This generated \$60 million of tourism investment. The program ended in December 1988.

Conditions within the tourism market are changing, with rapid growth and increasing competition from the United States and from other provinces. The Committee is convinced tourism plays an important role in the economic well-being of the province, and investment in this industry through programs such as TRIP would enable tourism operators to upgrade their facilities, thus protecting and strengthening tourism's contribution to the economy.

The Committee therefore recommends that:

20.       **The government should re-institute the Tourism Redevelopment Incentive Program to assist tourism operators in upgrading their tourism facilities.**

## CULTURE

### Native Affairs

The Committee was pleased to receive delegations from Native groups for the first time in its pre-budget consultations. These groups focused on clarifying federal, provincial and First Nations jurisdictions, matching funding with the level of responsibility assumed by the province for Native people, and on the extent of consultation between the province and the First Nations in determining provincial policies concerning Natives. These groups felt there was a need for more extensive consultation and a recognition that programs should be geared to traditional Native values and language. For example, Native education should include Native language initiatives and the development of relevant curriculum. Examples were also given of the difficulties in communicating and coordinating with the appropriate ministries.

The Committee is sympathetic to the problems outlined by the Native people of Ontario. It feels that the problems are related more to the delivery of the service to the Native people than to the requirement for large amounts of additional funding.

The Committee therefore recommends that:

21. **Consultation should take place between the province and First Nations governments in areas central to the development of a comprehensive policy on First Nations jurisdictions. The development of provincial policy on issues specific to First Nations must become part of a co-ordinated provincial agenda.**

### Multiculturalism

Multiculturalism is a fundamental characteristic of Ontario. The Ontario Council of Agencies Serving Immigrants (OCASI) points out that an estimated one-third of the population was born outside Canada and that immigrants bring with them a wealth of talent and skills and have the potential to make great contributions to the economic and social life of Ontario. However, according to OCASI, immigrants may find



themselves in situations where, because of institutional or language barriers, they are unable to seek the necessary assistance to help them become full participants.

OCASI supports the implementation of Stage One of the SARC report as a good step in helping immigrants to achieve self-sufficiency. It does have some concerns, echoed by the Social Planning Council of Metropolitan Toronto, that the Multicultural Strategy of the province of Ontario may not be as effective as it could be in improving access and equity for cultural and racial minorities in Ontario. Problems include barriers to communication between the immigrants and the ministries, such as insensitivity to the difficulties facing immigrants, insufficient community-based services and a lack of coordination across ministries.

The Committee is sympathetic to the views expressed by OCASI concerning communication between government and multicultural organizations.

The Committee recommends that :

22. **Ministries should provide a more effective mechanism and better consultation with the multicultural community when implementing existing programs and developing new policies, programs and initiatives.**

## TAX REFORM

Phase Two of federal tax reform, the reform of the sales tax system, has been under consideration by the federal and provincial governments since the tax reform initiatives were announced in June 1987. The federal government proposes to replace its single-stage, manufacturers' sales tax with a multi-stage sales tax which would be based on the value added to almost all goods and services. The federal government is currently negotiating with the provinces to determine the feasibility of a national sales tax that would include both the proposed federal multi-stage tax and provincial sales taxes.

Ontario, together with the other provinces, has been negotiating with the federal government and closely monitoring the situation, but remains uncommitted. In the fall of 1988 the Standing Committee on Finance and Economic Affairs was briefed by the Ministry of Treasury and Economics on the status of the negotiations, and subsequently held some preliminary hearings on sales tax reform. Testimony received by the Committee was of a general or theoretical nature, and it was apparent that the specific plans for any proposed sales tax reforms were incomplete, and that further negotiations were delayed by the federal election.

The Committee is of the opinion that the reform of the sales tax system, and the extent of Ontario's participation, has serious ramifications for the fiscal policies of the province. Further, it may have at least as much impact on consumers as will The Canada-U.S. Free Trade Agreement.

The Committee believes that it has an important role to play in assessing all aspects of tax reform, and in providing a public forum. When the province receives a concrete proposal on Phase Two of federal tax reform, the Committee intends to hold a full review of the Ontario tax system, with a focus on sales tax reform. The Committee also expressed an interest in meeting with the federal Standing Committee on Finance and Economic Affairs, and its counterparts in other provinces, in order to exchange information on tax reform.

## PRE-BUDGET CONSULTATION PROCESS

The pre-budget consultation process has the potential to be a much more valuable mechanism for enabling the Legislature and the public to participate in the budget-making process. In the past, a number of its concerns and recommendations have been reflected in the following budget.

**The Committee has been very concerned, however, that its ability to perform effectively is constrained by the time schedule and agenda imposed upon it and upon the public.** In order for the process to have the most value, members of the public should have sufficient time to be able to schedule an appearance and prepare documentation.

Further, the Committee has not received input from all sectors of the economy and therefore does not have a comprehensive body of evidence on which to base commentary or recommendations. For example, the Committee did not hear from the agricultural sector as a whole. It did hear strong arguments for a four-year period of financial assistance from one agricultural group representing the beekeeping industry, but the Committee has difficulty in commenting about the overall concerns of the agricultural sector. It would therefore encourage sharing of information from all sources so that the pre-budget consultation process can be most effective.

The Committee was pleased that its request last year for a post-budget review with the Treasurer and the Treasury officials was met in order to enable the Committee to assess the effectiveness of the pre-budget consultations. The Committee would like to endorse this review as a permanent part of the process of pre-budget consultations.

## LIST OF RECOMMENDATIONS

1. The Committee endorses the Social Assistance Review Committee report, Transitions, and recommends complete implementation of Stage One.
2. The government should proceed with a cross-ministry cost-benefit analysis of the recommendations in all stages of the SARC report, and such an analysis should be completed as quickly as possible.
3. The government of Ontario should establish a Provincial Roundtable on Social Policy and the Economy, to provide for the integration of social and economic policies.
4. The Treasurer should work towards eliminating the Net Cash Requirement and continue to reduce the annual deficit.
5. The Treasurer should consider the following measures for increasing revenue:
  - a) increases in the Personal Income Tax;
  - b) a Net Wealth Tax (excluding principal residences);
  - c) an increase in the surtax on high income earners;
  - d) increased taxes on tobacco and liquor; and
  - e) a minimum corporate tax, provided Ontario's competitive position internationally is not diminished.
6. The Committee endorses the concept of opening up lot levies as a source of revenue for Boards of Education, with a particular exemption for low-cost, affordable or non-profit housing projects.
7. The government should increase, in a phased program, its share of funding to elementary and secondary education to 60% of approved budgetary expenditures and mandated programs.
8. In order for Ontario's universities and colleges to be internationally competitive, the government should provide additional funds for research, capital expenditures and operating grants.

9. The government should undertake a review of the Ontario Student Assistance Program and remove any major inequities.
10. The government should recognize the need for an adjustment policy and increase the monies available for training and adjustment.
11. Health care costs should be contained through the reorganizing of priorities and the use of the most cost-effective and efficient programs, with an emphasis on models of preventive health care such as community health centres.
12. The Committee endorses the need to improve the salaries and working conditions in community service organizations through enhanced transfer payments.
13. The government should reaffirm its commitment to quality child care by enhancing salaries for child care staff, providing monies for improved programs and increasing availability.
14. The Committee strongly endorses increased funding for handicap programs, including the Assistive Devices Program, and specifically encourages the government to make greater efforts to insure increased employment opportunities for the disabled.
15. The government should make long term commitments, seek federal participation and develop new funding techniques in order to increase its financial involvement in road repairs and construction so that Ontario can retain its leadership role in maintaining both economic growth and quality of life.
16. The government should address the problems in the availability of land for housing by improving the approvals process and it should facilitate municipal involvement in land assembly and development for affordable housing.
17. The government should continue its policy of decentralization and relocation of ministries, and promote industrial development in low growth and underdeveloped regions of the province.
18. The government should ensure that the unconditional grants to municipalities should be increased annually by at least the amount of inflation.



19. The government should establish consultation on local financing among the federal government, province, regional governments, municipalities and school boards in order to develop a responsive financial partnership.
20. The government should re-institute the Tourism Redevelopment Incentive Program to assist tourism operators in upgrading their tourism facilities.
21. Consultation should take place between the province and First Nations governments in areas central to the development of a comprehensive policy on First Nations jurisdictions. The development of provincial policy on issues specific to First Nations must become part of a co-ordinated provincial agenda.
22. Ministries should provide a more effective mechanism and better consultation with the multicultural community when implementing existing programs and developing new policies, programs and initiatives.

## **APPENDIX A**

**The Dissenting Opinion of Mr. Bob Mackenzie and  
Mr. Karl Morin-Strom**





NDP DISSENT FROM THE FINANCE AND ECONOMIC AFFAIRS  
COMMITTEE 1989 PRE-BUDGET REPORT

Our major concern as we approach this year's budget is the growing disparity between rich and poor in Ontario. While we hear the Premier and Treasurer proclaim that over the past half-dozen years Ontario has led the world in economic growth they never talk about the "other Ontario" that has been largely by-passed by the benefits of economic growth or of the problems that growth has created.

While it is beyond the scope of our dissent to fully document the "other" Ontario, we believe a few examples will help paint a fuller picture of the harsher economic and social realities facing Ontario.

It is shocking to us that nearly 400,000 children in Ontario are living in poverty and that the number of families on general welfare assistance has recently reached a 35 year high. Little is currently being done to alleviate such hardship.

As the Thompson report told us, social assistance benefits have changed little (in real terms) since the mid-1970's. In 1989, a mother and her two children on welfare receives an amount equal to only 39% of the poverty line while a single unemployable basic needs recipient receives only 34% of the poverty line.

The working poor, whose numbers are also increasing fare little better. A single person earning the Ontario minimum wage of \$4.75 an hour and working 40 hours a week earns \$9,880 a year, more than \$1600 below the poverty line for a single person. What's more, they are even subject to income tax on this meagre amount. In 1975 the minimum wage was \$2.40 an hour, leaving a single person about equal to the poverty line. Simply keeping up with inflation since 1975 would have at least assured the working poor of a minimum wage of \$6.00 today.

Affordable housing, surely a most basic human right, has slipped beyond the reach of many Ontarians. Since 1985, a dozen cities in Ontario have had house price increases of over 100%. In the Metro Toronto area a family would require an annual income of just under \$98,000 in order to qualify for a mortgage on an average resale home in

the area, which in February 1989 topped \$274,000.

We have been calling on the Treasurer for over two years to introduce a land speculation tax but he has continually refused despite evidence that a speculation tax in the mid-1970's did have a dampening effect on house prices. Since we first demanded a speculation tax in 1987 the average price of a resale house in Metro Toronto has increased by \$100,000. Again we are reiterating our call for a speculation tax.

Things are no better at the other end of the housing scale either. The average waiting list for assisted housing in Ontario is 38,000, families up 81% since the Liberals assumed power in 1985. Yet the government's housing budget has declined from an average of 3.43% of total government budgetary expenditures in the mid-1970s to only 0.84% in this fiscal year.

Despite the economic recovery it is hard to see how ordinary working people have benefited. In the five year period from 1984 to 1988 wage settlements did not exceed the rate of inflation. Wages and salaries paid to workers (including monetary fringe benefits) have declined from 59.6% of Ontario's gross domestic product (GDP) in 1982 to 55.6% in 1987 and 55% in the first nine months of last year.

Job lay-offs are on the rise again and many well paying industrial jobs are being replaced by lower paying service sector jobs. Statistics Canada reports that over the period 1981-1986 that the number of jobs paying less than \$6.76/hr (in 1986 \$) increased from 19.2% of all jobs in Ontario to 23.1% of all jobs. This process will be accelerated under the Free Trade Agreement (FTA) and does not offer a lot of hope to those whose jobs will be lost as a result of the FTA.

In fact we are quite disappointed with Ontario's response to the FTA. The Ontario government had voiced at least some objections to the FTA early on, released studies which indicated that up to 400,000 jobs in Ontario were at risk under free trade, and demonstrated that women would be particularly hard hit. But now the government has been silent since the federal election on what, if anything, it intends to do. In its recently released Ontario Trade Review only two pages dealt with the FTA and not one word was mentioned about job loss or industrial restructuring.

Since this will be the first budget following ratification of the FTA it will be the Treasurer's first opportunity to indicate how the government intends to deal with the implications of free trade. The budget must address the problem of dealing with free trade in three ways: the preservation of Ontario's social programs and labour standards; immediate steps to deal with adjustment problems and job loss; and longer term measures to deal with economic restructuring.

We are particularly concerned with the myths being spread both in the private sector and by governments that our social programs are overly generous and must be cut. Despite Premier Peterson's claim that we have "one of the most generous support systems in the world" the facts do not bear him out. According to the Thompson report data, "Canada's share of GDP going towards social programs was 21.5%, as compared with an average of 24.8% for the seven major countries and 25.6% for the OECD as a whole." Belgium, Denmark, West Germany, the Netherlands and Sweden all spent more than 31%.

We still believe that the taxation system in Ontario and Canada as a whole are quite unfair. The main beneficiaries of tax reform were the wealthy while those in the lower and middle income brackets continue to pay more than their fair share. Ontario's last budget also hit the poor and the middle class the hardest with over a billion dollar tax increase in personal taxes while giving additional tax breaks to corporations.

We are distressed that it will cost the Ontario government \$477 million in 1988-89 to give special tax breaks to those with capital gains and that many business services remain exempt from the retail sales tax again costing the treasury hundreds of millions of dollars. We are also concerned that thousands of corporations continue to pay no income tax despite large profits because of an overly generous system of tax breaks and exemptions.

We simply cannot countenance any across the board tax increases for individuals and families this year. Any tax changes, such as the introduction of a wealth tax or an increase in the personal income tax surcharge must be targeted specifically at those who can afford to pay. While those at the lowest end of the income scale in Ontario continue to pay total taxes as high or higher than their counterparts in other provinces, those at the upper end of the income scale pay relatively less than

most of their other provincial counterparts.

It is against this backdrop that the upcoming budget must be developed.

A summary of our recommendations follows:

1) The provincial budget must be a total picture of Ontario's economic situation. Therefore it must include social indicators which can be monitored and targeted for progress. This would include for example (but not be limited to):

- o number of people living below the poverty line (including number of children)

- o social assistance/welfare caseloads

- o social assistance benefit levels expressed in both \$ amounts and as a percentage of the poverty line

- o usage of food banks and other voluntary relief agencies

- o a realistic assessment of the housing situation: average house prices in selected cities, income required to purchase a house, waiting lists for assisted housing, average rents and rent increases allowed by the rent review board

- o distribution of income and wealth within Ontario

- o progress towards equalizing employment income levels

- o tax burdens borne by low income families and individuals

- o numbers of lay-offs and their success at securing comparable re-employment

2) The Ontario government must give its unqualified endorsement of the entire Thompson report. It must immediately implement phase 1 of the report as well as detail the process for implementation of the further phases.

3) The Ontario government must address the problem of dealing with free trade in (at least) three ways through: the commitment of preserving and increasing Ontario's

social programs and labour standards; immediate steps to deal with adjustment programs and job loss; and longer term measures to deal with economic restructuring.

4) The Ontario government must immediately introduce a real estate speculation tax to quell ever increasing house and land prices and to signal that housing is a basic right not a tradable commodity.

5) The Ontario government must commit to make the tax system fairer, regardless of any federal initiatives to the contrary. This would include:

- o the introduction of a Minimum Corporate Income Tax
- o no across the board increases in personal taxes
- o the introduction of a net wealth tax
- o selective increases in income tax surcharges for upper income individuals
- o elimination of personal income tax for those living below the poverty line
- o a phased-in approach for the elimination of OHIP premiums

Bob Mackenzie, MPP  
Hamilton East

Karl Morin-Strom, MPP  
Sault Ste. Marie





## **APPENDIX B**

**The Dissenting Opinion of Mr. George McCague and  
Mr. Michael Harris**



## **MINORITY OPINION OF THE PROGRESSIVE CONSERVATIVE PARTY PRE-BUDGET CONSULTATIONS 1989**

### **INTRODUCTION**

The Progressive Conservative members of the Finance and Economic Affairs Committee have submitted this minority opinion to express our disagreement with a number of the major recommendations in the Committee's 1989 Pre-Budget Consultation Report.

In particular we object to the Committee's recommendations regarding new tax measures and lot levies.

We join with our Liberal and New Democratic colleagues on the Committee in expressing our appreciation to the groups and individuals who took the time to appear and/or make submissions and to the staff of the Committee for their invaluable support.

### **SOCIAL ASSISTANCE REVIEW COMMITTEE REPORT [SARC]**

While we endorse the recommendation calling for the complete implementation of Stage One of the SARC Report, we share the concern that no comprehensive cost-benefit analysis of the measures proposed by SARC was available to the Committee.

We note that the PC Party called on the government to develop such an analysis immediately after the release of the Transitions report in September 1988, over six months ago. The Committee's recommendation that the government proceed with a cross-ministry cost-benefit analysis of SARC is then welcome though belated.

We feel it must be emphasized that the real benefits of SARC to both our society as a whole and to our fellow citizens trapped in the poverty cycle depend on the implementation of the structural reforms recommended in Transitions and not solely on benefit enrichments.

### **PROVINCIAL ROUNDTABLE ON SOCIAL POLICY AND THE ECONOMY**

We question the value of the Committee's recommendation that the government establish a Provincial Roundtable on Social Policy and the Economy, to provide for the integration of social and economic policies.

The provincial political landscape is already littered with a number of these roundtables or councils, for example the Roundtable on the Environment, the Premier's Council on Technology and the Premier's Council on Health, whose contribution to the policy making is suspect at best.

The Government of Ontario is notorious for using consultation to camouflage indecision and does not need yet another excuse for inaction.

### REVENUE MEASURES

We regret that the Committee recommended the Treasurer consider a range of new tax measures, including increases to the personal income tax and personal income tax surtaxes, as a means of increasing revenue.

The recommendation regarding a possible hike in the personal income tax rate is most objectionable since in 1989, as a result of the 1988 Budget, the personal income tax rate will already increase from 51% to 52% of base federal tax.

The hike in the personal income tax rate will raise at least an additional \$210 million for the Ontario government, an amount which could increase if the federal tax rate is raised in the next federal budget.

This additional \$210 million plus, incidentally, would go a long way toward financing the province's share of implementing Stage One of SARC which has been variously estimated at between \$200 and \$300 million.

The record indicates that the Treasurer does not need the Committee's assistance in dreaming up new ways of enriching the province's coffers at the expense of the Ontario taxpayer.

Two of the last four provincial budgets, the 1985-86 and the 1988-89 budgets, have included significant tax increases. In a full year the tax increases contained in the 1985-86 budget were estimated to net the government about \$700 million while the full year impact of the 1988-89 tax increases is put at \$1.3 billion.

Economic growth and these new tax measures have already substantially increased provincial revenues.

For example, as of the third quarter of the 1988-89 fiscal year compared to fiscal 1984-85:

- o total budgetary revenues were up \$12,898 million, or by 54.3%;
- o total tax revenues had increased by \$11,371 million from \$15,023 million to \$26,394 million, an increase of 75.7%.
- o proceeds from the personal income tax had increased from \$6,253 million to a projected \$11,096 million, or by 77.5%;
- o inflows from the retail sales tax are currently projected at \$7,764 million as compared to the 1984-85 total of \$4,426 million, up 75.4%;

- o revenues from the land transfer tax had jumped by 302.9%, increasing from \$139 million in 1984-85 to a projected \$560 million in the current fiscal year.

In the face of these figures, and given that continued economic expansion, albeit at a slower rate, will continue to increase government revenues in 1989-90, the Committee's recommendation that the Treasurer consider yet another round of tax hikes is alarming.

Tax increases should be the last, not the first, resort of the government. As we dealt with the need for expenditure controls in our minority opinion to the 1988 Pre-Budget Consultation Report we will not go over that ground again but will note that the prospects of a slowdown in the economy make effective expenditure controls more important than ever and will amplify the need to maintain a competitive tax system in the province.

Furthermore, given current concerns that an anti-inflation interest rate policy could exacerbate the anticipated slow-down in the economy and, in the worst case, cause a recession, we advise the government to avoid any revenue measures which could put upward pressure on the inflation rate.

The tax measures implemented by the 1988 Budget, particularly the increases in consumption taxes, were both regressive and inflationary. The government must ensure that its own fiscal policies do not contribute to higher inflation and higher interest rates.

### LOT LEVIES

We opposed the Committee's recommendation endorsing the use of lot levies as a means of financing the education system.

Our opposition is based on the fact that the proposed levies are inconsistent with the government's avowed commitment to affordable housing and on the well-founded suspicion, given the government's policies on Sunday shopping, court security, unconditional and municipal road transfers, that the proposal is simply another part of this government's hidden agenda to off load its responsibilities on to Ontario's municipalities.

The proposed lot levies would place an unfair additional burden on new home buyers, would further inflate house prices, would hit some taxpayers but not others and would totally negate the already minimal benefits available from the government's Ontario Home Ownership Savings Plan.

In the midst of a housing affordability crisis it makes no sense to pursue a measure which, regardless of market forces, will add thousands of dollars to the price of a home by way of a hidden tax.

The proposed lot levies are also an inappropriate mechanism for financing the education system.



The maintenance of a quality education system is in the interest of and is the responsibility of the entire community, not just new home buyers, and should be financed as such.

As we see it the lot levy proposal, including the proposed reduction of 15% in the province's share of capital costs, is designed to allow the province to escape its responsibilities for education financing by shifting more of the burden onto the municipal revenue base.

We find it peculiar that the Committee would endorse this proposal while recommending that the provincial government should "in a phased program increase its share of funding to elementary and secondary education to 60% of approved budgetary expenditures and mandated programs."

It is worth mentioning that on the matter of the province's share of education costs the majority of the Committee has now modified the position it took in its recommendations in its 1988 Pre-Budget Consultation Report.

In that report Recommendation #2 stated:

The Government should increase, in a phased program, its share of funding to elementary and secondary education to 60% of total expenditures and property tax should be proportionately decreased through an appropriate tax mechanism. The Committee is of the opinion that property tax is not the most appropriate basis for financing the majority of education costs. A formula is required to ensure that the taxpayer benefit directly from the increased role assumed by the province.

The Committee has now moved from "60% of total expenditures" to "60% of approved budgetary expenditures and mandated programs".

While this shift may be of some benefit and comfort to the government, it is not in keeping with the spirit of the government's longstanding commitment on education financing, and is of questionable merit with regard to the future of the financing of the province's education system.

The recommendation on the province's share of education costs at least raises indirectly what we believe is the key issue in education financing - namely per pupil grant ceilings.

We encourage the government to enter into discussions with Ontario school boards to ensure that the grant ceilings are realistic in terms of the costs of providing access to quality education in all areas of the province.

We also find it peculiar that a Committee which formerly held that "property tax is not the most appropriate basis for financing the majority of education costs" is so quick to endorse the use of lot levies, a hidden tax on a very specific group, as an appropriate financing mechanism.

We, as do Ontario's municipalities, home builders and developers, recognize that the establishment of a clear and comprehensive legislative framework for existing lot levies would be a positive development.

However, the Green Paper proposals go well beyond that point and involve major changes in the the province's taxation and provincial - municipal financial systems.

We urge the Treasurer to withdraw, or at the very least to rethink, the proposal, as outlined in the Green Paper, to use lot levies to finance the education system.

### LAND TRANSFER TAX

We would also urge the Treasurer to abandon any notion he might have of increasing the land transfer tax.

While the housing market and the 1985 tax increase have made this a very productive revenue source for the province, the Treasurer's reported musings of February 1989 that increases or adjustments to the land transfer tax could take "some of the heat out of the housing market in Toronto and in Ontario" are insupportable.

There is no evidence whatever that the 1985 increase in the land transfer tax did anything to cool the housing market.

In fact since June of 1985 the average price of a new detached home in Metro Toronto has risen by 149% and the average resale price has risen by 135%.

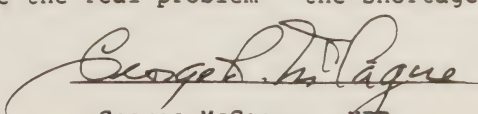
If the Treasurer believes that speculation is driving up house prices, a position contrary to that held by his colleague the Minister of Housing, then he should put before the Legislature a proposal for a speculation tax to discourage speculation without penalizing every home buyer in Ontario by hiking the land transfer tax.

In any event, the government, which through increases in the retail sales tax, the land transfer tax and the expansion of the retail sales tax base, has benefited significantly from the province's hot housing market, should be discouraged from further profiteering.

Punishing the consumer with another round of tax increases will not make housing more available or more affordable.

Instead of increasing taxes and compounding one of the symptoms of the problem, the government should concentrate on policies and initiatives that will solve the real problem - the shortage of supply.

  
Michael Harris, MPP

  
George McCague, MPP





**APPENDIX C**  
**Terms of Reference**



Terms of Reference of the  
Standing Committee on  
Finance and Economic Affairs

Standing Order 90(e):

"Standing Committee on Finance and Economic Affairs which is empowered to consider and report to the House its observations, opinions and recommendations on the fiscal and economic policies of the Province and to which all related documents shall be deemed to have been referred immediately when the said documents are tabled."



## **APPENDIX D**

### **List of Witnesses**





## APPENDIX D

### LIST OF WITNESSES

#### *From the Ministry of Treasury and Economics*

Michael Gourley, Assistant Deputy Minister, Office of Budget  
and Intergovernmental Finance  
Mark McElwain, Assistant Director, Fiscal Framework  
and Expenditure Forecasting  
Tom Sweeting, Director, Taxation Policy Branch  
Paul Love, Economist, Corporation Taxes.  
Donald S. McColl, Assistant Deputy Minister, Office  
of the Treasury  
Robert D. Christie, Director, Finance Policy Branch  
Robert J. Watson, Director, Finance Operations Branch  
Henk Ploeger, Acting Assistant Deputy Minister, Office  
of Economic Policy  
Qaid Silk, Director, Economic Forecasting Branch  
Steve Dorey, Economist, Macroeconomic Analysis  
John Hoicka, Senior Policy Advisor, Primary Sector and  
Manufacturing

#### *From the Income Maintenance for the Handicapped Co-ordinating Group*

Christopher Watts  
John Southern  
Francine Arsenault  
Harry Beatty

#### *From the Advocacy Resource Centre for the Handicapped (ARCH)*

David Baker, Executive Director  
Carla McKague, Senior Litigation Lawyer  
Patrick Worth, Institutional Outreach Worker

#### *From the Citizens for Public Justice*

Elske Kuiper, Chairperson  
Harry Kits, National Executive Director  
Paul Eastwood, Research Assistant

#### *From the Social Assistance Action Committee/Metro Toronto Legal Clinics*

Nancy VanderPlaats  
David Draper  
Lenny Abramowicz

*From the Child Poverty Action Group*

Susan Pigott  
Christa Freiler

*From the Social Assistance Review Committee Consultation  
Group/Social Planning Council of Metropolitan Toronto*

Stewart Coles  
David Thornley  
Michael McHenry  
Ben Radford

*From the Blind Organization of Ontario with Self-Help Tactics*

John Southern, Project Co-ordinator  
Susan Forster

*From the Ontario Coalition for Better Child Care*

Laurel Rothman, President  
Susan Colley, Executive Co-ordinator

*From the Interfaith Social Assistance Review Coalition*

David Pfrimmer, Evangelical Lutheran Church  
Massey Lombardi, Ontario Conference of Catholic Bishops  
Rick Myer, Disciples of Christ  
Dow Marmur, Holy Blossom Temple

*From the Ontario Federation of Students*

Shelley Potter, Chairperson  
Joan MacNeil, Researcher

*From the Social Assistance Review Committee*

Geroge Thomson, Chairman  
Clarke MacDonald, Member  
Terry H. Meagher, Member

*From the Council of Ontario Universities:*

Ron Ianni, President, University of Windsor  
George Connell, President, University of Toronto  
Alvin Lee, President, MacMaster University

*From the Union of Ontario Indians*

R. K. (Joe) Miskokomon, Grand Council Chief of the  
Anishinabek Nation.

*Cyril Greenland.*

*From the Ontario Contract Observation and Detention Homes  
Association*

Don Adam  
Tim Marks

*From the Ontario Public School Boards' Association*

Arlene Wright, President  
Ruth Lafarga, 1st Executive Vice-President  
Edna Kidd, Past President.

*From the Social Assistance Review Committee Public Awareness  
Campaign (SARC-PAC)*

Ernie Lightman

*From North York Inter-Agency and Community Council*

Gordon Cressy  
Malcolm Shookner

*From the Ontario Council of Agencies Serving Immigrants*

Howard Sinclair-Jones, Executive Director  
Barbara Isaac, Member, Board of Directors  
Julia Tao, Member, Board of Directors

*From the Ontario Public Health Association*

Rebecca Metcalfe, President  
Michelle Harding, Member of the Executive  
Ron Labonte, President-elect

*From the Ontario Confederation of University Faculty Associations*

John Starkey, President.

*From the Mississauga Board of Trade*

Steve Dunk, Chairman, Tax Committee  
Adam Leamy, Director of Policy and Research

*From the Family Service Association of Metropolitan Toronto*

Bob Couchman, Executive Director  
David McQueen, Vice-Chairman, Social Action Committee  
(Professor of Economics, York University).

*From the Pharmaceutical Manufacturers Association of Canada*

Judy Erola, President  
Gordon Postelwaite, Director, Public Affairs

*From the Ontario Public School Teachers' Federation*

Dave Kendall, President  
Dave Lennox, Secretary

*From the Social Planning Council of Metropolitan Toronto*

Jody Orr, Executive Director  
Kenise Kilbride, President  
Lin Grist, Treasurer  
Jeffrey Patterson, Senior Program Director

*From the Ontario Hospital Association*

Dennis Tuck, Chairman of the Board

*From the Ontario Federation of Labour*

Stew Sullivan, Vice-President  
John O'Grady, Research Director

*From the Ontario Beekeepers' Association*

Paul Montoux, President  
Norm McWaters, First Vice-President

*From BinojehnuK Endahjik*

Melvin Elliott, Executive Director  
Bob Watts

*From Persons United for Self-help (PUSH)*

Francine Arsenault, President  
Jonathan Batty, Provincial Coordinator for Ontario

*From the Ontario Road Builders' Association*

Lee Smallman, President  
Arthur Ryan, Executive Director

*From the Ontario Association of Professional Social Workers*

Malcolm Stewart, Executive Director  
Doreen Cullen, Vice-President, Social Policy  
Jean Lee, Chair, SARC Task Force.

*From the Ontario Women's Action Coalition*

Brigitte Kitchen  
Kit Holmwood  
Gayle Broad

*From the Toronto South Presbytery*

Joyce Eagle, Chairperson, Social Issues Committee  
Frances Lissanan  
Douglas Varey  
Frances Coombs  
Winifred Boundy  
Bruce McLeod  
Albert Gedraitis  
Jessie Nodwell  
Shawn Aberle

*From the Ontario Natural Gas Association*

Paul Pinnington, President  
Jim Anderson, Vice-President, Finance, Union Gas Ltd.

*From the Action Committee for Tourism*

Peter Elmhirst, Chairman, Tourism Ontario  
Bruce Stanton, Vice-President, Resorts Ontario.

*From the Association of Municipalities of Ontario*

Steven Clarke, President  
Grant Hopcroft, 1st Vice-President  
David Hipgrave, Co-Chairman, AMO Fiscal Policy Committee

*From the Ontario Good Roads Association*

Ken Boshcoff, President  
Vik Silgailis, Regional Municipality of Durham  
Leonard Rach, Municipality of Metropolitan Toronto

*From the Ontario Mining Association*

Patrick Reid, President.

## **APPENDIX E**

### **List of Exhibits**





APPENDIX E

EXHIBITS

EXHIBIT NO. 1/04/001	MINISTRY OF TREASURY AND ECONOMICS - Hard copy of slides presented to the Committee, Office of the Budget and Intergovernmental Finance.
EXHIBIT NO. 1/04/002	MINISTRY OF TREASURY AND ECONOMICS - Material relating to public debt.
EXHIBIT NO. 1/04/003	CITY OF OTTAWA - Submission regarding Pre-Budget Consultation.
EXHIBIT NO. 1/04/004	CANADIAN MENTAL HEALTH ASSOCIATION - Pre-budget submission.
EXHIBIT NO. 1/04/005	ONTARIO ASSOCIATION OF ART GALLERIES - Pre-budget submission.
EXHIBIT NO. 1/04/006	WATERLOO REGIONAL HOMES FOR MENTAL HEALTH INC. - Pre-budget submission.
EXHIBIT NO. 1/04/007	JACK A LONDOG - Pre-budget submission.
EXHIBIT NO. 1/04/008	DALHOUSIE HEALTH AND COMMUNITY SERVICES - Pre-budget submission.
EXHIBIT NO. 1/04/009	ONTARIO FRIENDS OF SCHIZOPHRENICS - Pre-budget submission.
EXHIBIT NO. 1/04/010	GREG VEZINA - Pre-budget submission.
EXHIBIT NO. 1/04/011	INCOME MAINTENANCE FOR THE HANDICAPPED CO-ORDINATING GROUP - Pre-budget
EXHIBIT NO. 1/04/012	ADVOCACY RESOURCE CENTRE FOR THE HANDICAPPED - Brief on Advocacy for Vulnerable Adults.

EXHIBIT NO. 1/04/013	CITIZENS FOR PUBLIC JUSTICE - Statement to the Committee on Pre-Budget hearings.
EXHIBIT NO. 1/04/014	CITIZENS FOR PUBLIC JUSTICE - Table entitled "Social Assistance in Ontario".
EXHIBIT NO. 1/04/015	CITIZENS FOR PUBLIC JUSTICE - Pre-Budget submission regarding Social and Economic Policy Integration.
EXHIBIT NO. 1/04/016	NORTHERN CABLE SERVICES LTD. - Pre-Budget Submission.
EXHIBIT NO. 1/04/017	BELL CANADA - Pre-Budget Submission.
EXHIBIT NO. 1/04/018	THE BOARD OF TRADE OF METROPOLITAN TORONTO - Pre- Budget Submission.
EXHIBIT NO. 1/04/019	SOCIAL ASSISTANCE ACTION COMMITTEE - Pre-Budget Submission.
EXHIBIT NO. 1/04/020	CHILD POVERTY ACTION GROUP - Pre-Budget Submission.
EXHIBIT NO. 1/04/021	SOCIAL ASSISTANCE REVIEW COMMITTEE CONSULTATION GROUP/SOCIAL PLANNING COUNCIL OF METROPOLITAN TORONTO - Pre-Budget Submission.
EXHIBIT NO. 1/04/022	ONTARIO BEEKEEPERS' ASSOCIATION - Copy of a brief to the Honourable Jack Riddell, M.P.P., Minister of Agriculture and Food, dated 24 March 1988.
EXHIBIT NO. 1/04/023	ONTARIO COALITION FOR BETTER CHILD CARE - Pre-Budget Submission.
EXHIBIT NO. 1/04/024	ONTARIO COALITION FOR BETTER CHILD CARE - Copy of a brief to the Government of Ontario dated October 1988.

EXHIBIT NO. 1/04/025	THE BOARD OF TRADE OF METROPOLITAN TORONTO - Copy of a Response to the Report of the Premier's Council on "Competing in the New Global Economy".
EXHIBIT NO. 1/04/026	ONTARIO NATURAL GAS ASSOCIATION: Pre-Budget Submission.
EXHIBIT NO. 1/04/027	ED BORDAS - Letter and attachment regarding government debt.
EXHIBIT NO. 1/04/028	INTERFAITH SOCIAL ASSISTANCE REVIEW COALITION - Pre-Budget Submission.
EXHIBIT NO. 1/04/029	ONTARIO FEDERATION OF STUDENTS - Copy of a submission to the Treasurer of Ontario, dated 31 January 1989.
EXHIBIT NO. 1/04/030	NEIGHBOUR TO NEIGHBOUR CENTRE (HAMILTON)- Pre-Budget Submission.
EXHIBIT NO. 1/04/031	COUNCIL OF ONTARIO UNIVERSITIES - Brief entitled "Blueprint for Mediocrity".
EXHIBIT NO. 1/04/032	UNION OF ONTARIO INDIANS - Pre-Budget Submission.
EXHIBIT NO. 1/04/033	CYRIL GREENLAND - Pre-Budget Submission.
EXHIBIT NO. 1/04/034	ONTARIO CONTRACT OBSERVATION AND DETENTION HOMES ASSOCIATION - Document entitled "Young Offender Services in Ontario Are in Jeopardy".
EXHIBIT NO. 1/04/035	ONTARIO CONTRACT OBSERVATION AND DETENTION HOMES ASSOCIATION - Document entitled "Historical Perspective on the Wage Inequity Issue".

EXHIBIT NO. 1/04/036	ONTARIO PUBLIC SCHOOL BOARDS' ASSOCIATION - Submission entitled "Keep the Promise".
EXHIBIT NO. 1/04/037	SOCIAL ASSISTANCE REVIEW COMMITTEE PUBLIC AWARENESS CAMPAIGN (SARC-PAC) - Pre-Budget Submission.
EXHIBIT NO. 1/04/038	NORTH YORK INTER-AGENCY AND COMMUNITY COUNCIL - Pre-Budget Submission.
EXHIBIT NO. 1/04/039	ONTARIO COUNCIL OF AGENCIES SERVING IMMIGRANTS - 1987-1988 Annual Report.
EXHIBIT NO. 1/04/040	ONTARIO COUNCIL OF AGENCIES SERVING IMMIGRANTS - Information pamphlet.
EXHIBIT NO. 1/04/041	ONTARIO COUNCIL OF AGENCIES SERVING IMMIGRANTS - Submission entitled "Time for Action: Multiculturalism and Social Assistance".
EXHIBIT NO. 1/04/042	ONTARIO PUBLIC HEALTH ASSOCIATION - Copy of letter and attachments to Hon. Robert F. Nixon, Treasurer of Ontario.
EXHIBIT NO. 1/04/043	ONTARIO PUBLIC HEALTH ASSOCIATION - Pre-Budget Submission.
EXHIBIT NO. 1/04/044	ONTARIO CONFEDERATION OF UNIVERSITY FACULTY ASSOCIATIONS - Pre-Budget Submission.
EXHIBIT NO. 1/04/045	MISSISSAUGA BOARD OF TRADE - Pre-Budget Submission.
EXHIBIT NO. 1/04/046	FAMILY SERVICE ASSOCIATION OF METROPOLITAN TORONTO - Copy of a "Statement to Premier Peterson and the Ontario Government on the Report of the Social Assistance Reform (sic) Committee".
EXHIBIT NO. 1/04/047	PHARMACEUTICAL MANUFACTURERS' ASSOCIATION OF CANADA - Pre-Budget Submission.

EXHIBIT NO. 1/04/048	ONTARIO PUBLIC SCHOOL TEACHERS' FEDERATION - "Submission to the Treasurer of Ontario with respect to the 1989 Budget".
EXHIBIT NO. 1/04/049	SOCIAL PLANNING COUNCIL OF METROPOLITAN TORONTO - Submission entitled "Investing in the Future".
EXHIBIT NO. 1/04/050	CANADIAN FEDERATION OF INDEPENDENT BUSINESS - Submission to the Honourable Robert Nixon, Treasurer of Ontario.
EXHIBIT NO. 1/04/051	ONTARIO HOSPITAL ASSOCIATION - Pre-Budget Submission.
EXHIBIT NO. 1/04/052	ONTARIO FEDERATION OF LABOUR - Submission to the Treasurer of Ontario regarding the 1989 Ontario Budget.
EXHIBIT NO. 1/04/053	BINOJEHNUK ENDAHJIK - Pre- Budget Submission.
EXHIBIT NO. 1/04/054	PERSONS UNITED FOR SELF-HELP (PUSH) ONTARIO - Pre-Budget Submission.
EXHIBIT NO. 1/04/055	ONTARIO ROAD BUILDERS' ASSOCIATION - Pre-Budget Submission.
EXHIBIT NO. 1/04/056	ONTARIO ASSOCIATION OF PROFESSIONAL SOCIAL WORKERS - Pre-Budget Submission.
EXHIBIT NO. 1/04/057	ONTARIO WOMEN'S ACTION COALITION - Pre-Budget Submission.
EXHIBIT NO. 1/04/058	TORONTO SOUTH PRESBYTERY - Submissions regarding the 1989 Budget and the Social Assistance Review Committee recommendations.
EXHIBIT NO. 1/04/059	ONTARIO NATURAL GAS ASSOCIATION - Pre-Budget Submission.



EXHIBIT NO. 1/04/060	ACTION COMMITTEE ON TOURISM - Pre-Budget Submission.
EXHIBIT NO. 1/04/061	ASSOCIATION OF MUNICIPALITIES OF ONTARIO - Submission entitled "Property Tax: A Provincial Tax?"
EXHIBIT NO. 1/04/062	ONTARIO GOOD ROADS ASSOCIATION - Pre-Budget Submission.
EXHIBIT NO. 1/04/063	ONTARIO MINING ASSOCIATION - Copy of letter to the Treasurer of Ontario dated 15 February 1989.
EXHIBIT NO. 1/04/064	ONTARIO MARCH OF DIMES - Pre- Budget Submission.
EXHIBIT NO. 1/04/065	ASSOCIATION OF IROQUOIS AND ALLIED INDIANS - Pre-Budget Submission.
EXHIBIT NO. 1/04/066	LEGISLATIVE RESEARCH SERVICE - Research document on the Massachusetts Employment and Training Choices Program (ET).
EXHIBIT NO. 1/04/067	MISSISSAUGA REAL ESTATE BOARD - Letter and submission regarding the land transfer tax.
EXHIBIT NO. 1/04/068	ONTARIO PUBLIC SERVICE EMPLOYEES UNION - Pre-Budget Submission.
EXHIBIT NO. 1/04/069	ONTARIO PUBLIC SERVICE EMPLOYEES UNION - Document entitled "Tax Reform: Who Pays? Who Gains?"
EXHIBIT NO. 1/04/070	CANADIAN DRUG MANUFACTURERS ASSOCIATION - Letter and attachments dated 28 March 1989.
EXHIBIT NO. 1/04/071	ONTARIO FEDERATION OF STUDENTS - Background document on Ontario's Student Aid Program.



EXHIBIT NO. 1/04/072

ONTARIO FEDERATION OF  
STUDENTS - Document regarding  
the taxation system and a net  
wealth tax.

EXHIBIT NO. 1/04/073

ONTARIO FEDERATION OF  
STUDENTS - Document entitled  
"The Impact of Tuition Fees  
on Access to University  
Education in Ontario.



## **APPENDIX F**

### **List of Recommendations and Concerns of Witnesses**



# LIST OF RECOMMENDATIONS AND CONCERNS OF WITNESS

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## ABBREVIATIONS

Abbreviation	Organization/Individual	Date of Appearance	Exhibit #
ACT	Action Committee on Tourism	9 March 1989	1/04/060
AMO	Association of Municipalities of Ontario	9 March 1989	1/04/061
ARCH	Advocacy Resource Centre for the Handicapped	24 January 1989	1/04/012
Beekeepers	Ontario Beekeepers' Association	8 March 1989	1/04/022
Bell	Bell Canada		1/04/017
BinEnd	BinojehnuK Endahjik	8 March 1989	1/04/053
Board	The Board of Trade of Metropolitan Toronto		1/04/018,025
Board	The Board of Trade of Metropolitan Toronto	17 November 1988	
BOOST	Blind Organization of Ontario with Self-Help Tactics	9 February 1989	
Bordas	Mr. Ed Bordas		1/04/027
Cable	Northern Cable Services Limited		1/04/016
CAC	Consumers' Association of Canada	10 November 1988	
CDMA	Canadian Drug Manufacturers' Association		1/04/070
CFIB	Canadian Federation of Independent Business		1/04/050
ChildCare	Ontario Coalition for Better Child Care	9 February 1989	1/04/023,024
CMHA	Canadian Mental Health Association		1/04/004
COU	Council of Ontario Universities	6 March 1989	1/04/031
CPAG	Child Poverty Action Group	18 January 1989	1/04/020

**List of Recommendations and Concerns of Witnesses**

CPJ	Citizens for Public Justice	24 January 1989	1/04/013-015
DHCS	Dalhousie Health and Community Services		1/04/008
Dimes	Ontario March of Dimes		1/04/064
Family	Family Service Association of Metropolitan Toronto	7 March 1989	1/04/046
Friedman	Mr. Andy Friedman	24 November 1988	
GdRoads	Ontario Good Roads Association	9 March 1989	1/04/062
Greenland	Dr. Cyril Greenland	6 March 1989	1/04/033
IMHCG	Income Maintenance for the Handicapped Co-ordinating Group		1/04/011
Indians	Union of Ontario Indians	6 March 1989	1/04/032
Iroquois	Association of Iroquois and Allied Indians		1/04/065
ISARC	Interfaith Social Assistance Review Coalition	16 February 1989	1/04/028
Legal	Social Assistance Action Committee/Metro Toronto Legal Clinics	18 January 1989	1/04/019
Londog	Mr. Jack A. Londog		1/04/007
Mississ	Mississauga Board of Trade	7 March 1989	1/04/045
MissRE	Mississauga Real Estate Board		1/04/067
Neighbour	Neighbour to Neighbour Centre (Hamilton)		1/04/030
NYIACC	North York Inter-Agency and Community Council	7 March 1989	1/04/038
OCASI	Ontario Council of Agencies Serving Immigrants	7 March 1989	1/04/039-035
OCODHA	Ontario Contract Observation and Detention Homes Association	6 March 1989	1/04/034-035
OCUFA	Ontario Confederation of University Faculty Associations	7 March 1989	1/04/044
OFL	Ontario Federation of Labour	8 March 1989	1/04/052
OFS	Ontario Federation of Students	16 February 1989	1/04/029,071



**List of Recommendations and Concerns of Witnesses**

OFSchz	Ontario Friends of Schizophrenics		1/04/009
OHA	Ontario Hospital Association	8 March 1989	1/04/051
OMA	Ontario Mining Association	9 March 1989	1/04/063
ONGA	Ontario Natural Gas Association	8 March 1989	1/04/026,059
OPSBA	Ontario Public School Boards' Association	6 March 1989	1/04/036
OPSEU	Ontario Public Service Employees Union		1/04/069
OPSTF	Ontario Public School Teachers' Federation	7 March 1989	1/04/048
PMAC	Pharmaceutical Manufacturers Association of Canada	7 March 1989	1/04/047
PubHealth	Ontario Public Health Association	7 March 1989	1/04/042-043
PUSH	Persons United for Self-Help (PUSH) Ontario	8 March 1989	1/04/054
Roads	Ontario Road Builders' Association	8 March 1989	1/04/055
SARC-PAC	SARC Public Awareness Campaign	7 March 1989	1/04/037
SCG	SARC Consultation Group	18 January 1989	1/04/021
SocTor	Social Planning Council of Metropolitan Toronto	7 March 1989	1/04/049
SocWork	Ontario Association of Profession Social Workers	8 March 1989	1/04/056
United	Toronto South Presbytery of the United Church of Canada	8 March 1989	1/04/058
Vezina	Mr. Greg Vezina		1/04/010
Women	Ontario Women's Action Coalition	8 March 1989	1/04/057
WRHMH	Waterloo Regional Homes for Mental Health		1/04/006

## INTRODUCTION

The recommendations and concerns of witnesses submitting oral and written presentations to the Committee concerning pre-budget consultations and preliminary sales tax reform hearings are summarized below. Those wishing to read the rationale for these recommendations and concerns are directed to the original briefs. In order to avoid duplication and for the sake of simplicity, a recommendation made by multiple groups is listed only once, and only a limited number of groups which support that recommendation are cited. No weight should be given to frequency of occurrence, therefore, nor should any significance be attributed to the sequence of recommendations, nor to the inclusion or omission of witnesses' names.

## ECONOMIC POLICY

- The government is urged not to follow up on some of the policy recommendations of the Premier's Council. It is the Board's view that a great number of these recommendations are implicitly interventionist and their implementation costly to Ontario taxpayers.

(Board)

- In order to address the key issues facing Ontario:
  - The government should examine ways and means of raising productivity over the longer-term.
  - Ontario should play a strong role in determining how free trade is monitored and evaluating the case for adjustment policies and programs. Any such measures should focus on industries with the potential for high value-added.
  - Energy security should be a key economic goal.

(ONGA)

- The Committee should recommend that the provincial government and the federal government adopt policies that:
  - seek full employment;
  - provide affordable housing; and
  - provide better human support services, including child care and many of the recommendations in the SARC report, Transitions.

(ISARC)

- The trade union movement will look to the Treasurer's budget statement for clear indications that the government rejects the federal Conservative and business policy of deference to the market and that its continued participation in the Premier's Council experiment is well founded.

(OFL)

- The Treasurer must signal clearly that rolling back social programs and labour standards form no part of the government's strategic response to free trade.

(OFL)

- The Treasurer is urged to indicate in the budget statement that the government recognizes the problems faced by single-industry towns and recognizes, as well, that the free trade deal will pose serious adjustment problems for a number of these communities. The government is further urged to indicate that it will

extend financial support to community-based diversification initiatives in these single-industry towns. Finally, the government is urged to begin an urgent dialogue aimed at developing the appropriate policy framework for such support.

(OFL)

- The government is urged to establish a Development Fund to channel monies into economic diversification, with special emphasis on the problems of single-industry communities. The Development Fund should be empowered to issue units that would be guaranteed as to principle by the province. Eligible investors in such units would include pension funds. Larger pension funds should be required to take up a certain minimum number of units, equal perhaps to 1/2 or 1% of their total portfolio. Participating pension funds should be allowed to nominate board members to the Development Fund.

(OFL)

- The government is urged to embark on a program of infrastructure renovation and expansion. This program should be planned and executed with deliberate counter-cyclical intention to preserve employment levels as well as to create jobs in regions of high unemployment.

(OFL)

- Concern is expressed over underfunding of social and health programs, with adverse effects on both consumers and public employees.

(OPSEU)

- The growing economy provides ample resources to allow for significant growth in real wages, including raising the minimum wage; to finance improvements to government services, including education, health, social assistance and the implementation of the Thomson Report recommendations; and to develop adequate adjustment programs for the effect of free trade on workers.

(OPSEU)

#### **SOCIAL ASSISTANCE REVIEW COMMITTEE'S REPORT: TRANSITIONS**

- Adequate funding should be provided in the 1989-90 provincial budget to fully implement Stage One of the SARC report.

(Many groups)

- Enough money should be allocated to implement the SARC report in this coming fiscal year. If it is impossible to implement all of the report immediately, a phased-in approach should be taken, with two immediate priorities being:

- An increase in the amount of social assistance to all recipients.

- The elimination of penalties to welfare recipients who work, but have almost all of their "extra" income deducted from their welfare cheque.

(DHCS)

- The SARC report is not only good social policy but also sound economic policy because it increases the skill level of the labour force and adds taxpayers who can contribute to government revenues, and it reduces the hidden costs of poverty such as child welfare, juvenile justice or children's mental health systems.

(SCG)

- Implementing Stage One, estimated to cost Ontario \$200 million (or approximately \$33 per tax filer), would begin the process of transforming a \$2 billion system which is neither meeting the needs of recipients nor the public purposes for which the programs are intended, into one that reduces long-term dependency and gives people real choice in their lives.

(SCG)

- An overall cost-benefit analysis of Stage One should be carried out across ministries and over the long term. The group strongly believes that there will not only be improvements in the lives of disabled people but also significant cost savings in some areas of government, for example, in health care, if Stage One recommendations are implemented.

(IMHCG)

- Recommendations that would reduce the disincentives to work include:
  - Increase the earnings exemption and tax-back rate before any allowance is reduced.
  - Strengthen the Work Incentive Program (WIN), such as improving the eligibility test for the Work Incentive Allowance and the benefits package.
  - Assist with high drug costs and disability-related expenses when a disabled person enters the work-place.

(IMHCG)

- Improve the opportunities for persons with disabilities to live more independently in the community rather than in institutions in Ontario, for example, through increasing the highest GAINS-D rate and improving shelter subsidies.

(IMHCG)

- The asset and income tests applied to social assistance recipients should be loosened.

(IMHCG)



- To help reduce child poverty, the government should implement Stage One reforms immediately, and should begin negotiations with the federal government for a national children's income program. There should be a First Ministers' Conference on child poverty.

(CPAG)

- Failure to implement the SARC report will lead to conflict and violence.

(Greenland)

- Implementing Stage One makes good economic as well as social sense. The cost of Stage One is the equivalent of four to five days of health costs; with the relationship between poverty and sickness well documented, a reduction in poverty has a direct link to health costs.

(Greenland)

- Implementing Stage One is a greater priority than the equivalent infusion of funds into the health care system, and will benefit far more Ontarians.

(PubHealth)

- Poverty is the largest threat to individual health, while the overall health of a population is related to an equitable distribution of wealth. The importance of investing in preventive strategies such as in the SARC report that will yield the greatest health benefits must be emphasized.

(PubHealth)

- A reduction in the gap between social assistance rates and the poverty line should lead over time to a reduction in health care costs.

(NYIACC)

- Implementing SARC should be considered an investment in human capital, with an expectation of benefits to follow. Under the present system there is no pay off for the recipients or for government. Further, there are economic disincentives for any welfare recipient to return to work.

(SARC-PAC)

- While the benefits have not been quantified, it is likely that Stage One would rapidly become self-financing.

(SARC-PAC)

- The time to act on the SARC report is now while there is a window of opportunity open. There is momentum at present from a groundswell and coalescing of disparate groups in support of the SARC report; further, the crisis in health, education and social services are all linked to the issues of the SARC report.

(NYIACC)

- The present system is self-perpetuating, designed to keep people at the bottom, and creating a society of winners and losers. Transitions is a long-term investment, and provides for the transition from welfare dependency to self-sufficiency.

(Many groups)

- The risks of "marginalizing" young people through an upbringing that is below the poverty line has serious social, health and educational related consequences for the pool of talented and motivated youth.

(NYIACC)

- The top priority must be to retain the central thrust of the report, to keep it in public view, and to make it the basis for step-by-step reform as finances permit. It is vital to obtain from the Ontario government a commitment in principle to the proposed reform and some early practical steps to implement something like Stage One.

(Family)

- Women are overrepresented in all categories of poor people. They and their children, both in the North and in the rest of Ontario, cannot change their lives unless the desperate poverty enforced by the current social assistance system is ended. The SARC report, as a total package, is being heralded as a blueprint for the kinds of changes needed to accomplish this, and action on the Stage One reforms should be reflected in the next budget.

(Women)

- The Thomson Report proposals are not only sound social policy, but must be seen as an economic investment which will pay high rates of return in the future.

(OPSEU)

### **Social and Economic Policy**

- The Government of Ontario should establish a Provincial Roundtable on Social Policy and the Economy, to provide long term planning for the integration of social and economic policies.

(CPJ)

- The Premier should establish a Premier's Council on Social Policy to parallel the Premier's Council on Economic Policy and provide a consultative mechanism for implementing Stages Two to Five of the SARC report and for providing budget priorities based on a broader social vision.

(ISARC)



## FISCAL RESPONSIBILITY

- At a minimum, the Treasurer should reduce the government's net cash requirements to zero in the 1989 budget and thereafter commit a portion of annual revenues to gradual reduction of public debt.

(ONGA)

- The Committee should propose that the Treasurer review and report in some depth on inter-provincial comparisons in spending levels and growth rates and on the quantity and quality of public services provided.

(ONGA)

- The annual economic and fiscal review document should provide fiscal projections for at least three years beyond the interim fiscal year, and revenue data should include estimates of revenue elasticities and the cumulative effect of tax changes.

(ONGA)

- The government's top priority should be a balanced budget that will include a reduced provincial debt.

(Bordas)

- If the province gains additional revenues from federal tax reform changes, these revenues should be used to reduce the existing budget deficit.

(Mississ)

- The following areas are considered essential components of an overall government strategy of fiscal and program reform:

- deficit reduction strategy;
- reduction of direct business grants;
- privatization/contracting out;
- regulatory program review; and
- public sector wage and hiring restraint.

(CFIB)

- The government must place its highest priority on reducing government expenditures.

(CFIB)

- OPSEU is highly critical of the inadequate rate of return on pension funds invested by the Province. The Crown Employees Collective Bargaining Act should be amended to allow for bargaining on pensions.

(OPSEU)

## TAXATION/REVENUE SOURCES

- The Committee should recommend to the Treasurer that he support only those taxation policies that are progressive in nature and do not place a disproportionate burden on the poor.

(ISARC)

- The discriminatory use of taxing power by other jurisdictions in support of international banking or financial centres should be countered by equalling the concessions offered by other provinces, and repealing such concessions when the governments of Canada, British Columbia and Quebec repeal theirs.

(Board)

### Retail Sales Tax

- Where significant changes are made in the application of retail sales tax, they should be included in the government's budget documents.

(Board)

- The exemption from Ontario retail sales tax for machinery, equipment and processing material for R & D purposes should be more available where the qualifying items are used "primarily and directly" in R & D or in the manufacture or production of goods.

(Board)

- The Retail Sales Tax Act should be made neutral for all providers of telecommunications services through measures such as:

- To remove the existing disparities between carriers and providers, Section 4a of the Retail Sales Tax Regulation 903 should be revoked and tax rules be designed to tax services that are meant to be taxed, regardless of the provider, e.g. all providers of taxable services would be required to collect or pay the tax whether or not this sector is their principal business.

- To maintain the ability of Canadian carriers to compete against international providers, revised taxing provisions should be implemented to apply tax equally, however the calls are routed, so that the tax applies only to consumption within Ontario, irrespective of the providers' location.

(Bell)

- The exemption of school boards from retail sales tax should be reinstated.

## Corporate Income Tax

- Corporate tax rates should be reduced in order to make them more competitive with other jurisdictions in Canada and the United States.

(Board)

- There should be no increase in corporate income tax rates.

(Mississ)

- The government of Ontario should work towards making provincial income taxes among the lowest in Canada. The benefit of tax reform for Canadians should not be thwarted by income tax increases. We urge greater federal-provincial cooperation and public input into tax policy planning and design to avoid this possibility.

(ONGA)

- The Ontario manufacturing and processing current cost adjustment should be extended to specific high technology type expenditures incurred by the Canadian telecommunications industry. Examples of such expenditures would be computer based switching equipment and fibre optic technology.

(Bell)

- The province should work with the federal government to find a way to implement a loss transfer system between related companies. With the advent of free trade and the need for Canadian corporations to be competitive with their U.S. counterparts which may file consolidated tax returns, it becomes imperative to provide Canadian corporations with a mechanism for simplifying the transfer of losses.

(Bell)

- Ontario should continue to study the merits of adopting a combined federal/Ontario corporate income tax system.

(Mississ)

- The Ontario capital tax should be made creditable against corporate income tax.

(Board)

- Legislation concerning the Ontario rent and royalty disallowance should be repealed.

(Board)

- Ontario should not attempt to evaluate Research & Development claims on its own. It would be more efficient for both taxpayers and the government to follow the decisions made by Revenue Canada as to whether an expenditure is eligible R&D.

(Mississ)

- Ontario should cease taxing Scientific Research and Experimental Development incentives from other jurisdictions. This can be achieved by modifying subsection 12(15) of the Ontario Corporations Tax Act. The enabling legislation should not tax the Super Allowance. Further, the province should abandon the 50% additional allowance feature of the Super Allowance and use the funds otherwise available to increase the basic rate of the Super Allowance.

(Bell)

#### **Personal Income Tax**

- The treatment of tax credits for political contributions is discriminatory. These tax credits for individuals should be refundable, so that minorities and low-income individuals have an equal opportunity to be involved in the political process.

(Vezina)

#### **Land Transfer Tax**

- Opposition is expressed to a possible increase in the land transfer tax, which would constitute a threat to private property rights, to stable real estate values and to affordable and accessible housing.

(MissRE)

#### **Municipal Interest and Discount Rates Act**

- The Municipal Interest and Discount Rates Act should be amended to make it mandatory for municipalities to pay interest on tax refunds as a result of a successful assessment appeal.

(Board, Bell)

#### **Property Tax**

- Market value assessment should be instituted in Metropolitan Toronto as soon as possible.

(Board)

#### **Other Revenue Measures**

- If a land speculation tax is being considered, the experience of the Ontario government in the 1970s should be re-examined before the government commits itself.

(Board)

- There should be a 100% capital gains tax applied to single residential dwellings that were purchased and flipped, and not owner-occupied.

(CAC)

- Options for raising additional revenues need to be guided by previous decisions and the perceived relative burdens of existing taxes and levels, and by comparisons with tax efforts of other provinces. For example, Ontarians paid 28% lower personal income taxes in 1987/88 than the average for the other nine provinces, and relatively less for alcohol, tobacco, gasoline and diesel fuel taxes and vehicle licence fees.

(SocTor)

- Suggestions for financing increased post-secondary spending include:
  - land speculation tax;
  - tobacco tax increases;
  - a minimum corporate income tax of 8% is estimated to bring in at least \$300 million in additional revenue;
  - the special treatment of capital gains could be eliminated, and the carry-forwarding, carry-back loss provisions reduced;
  - the deductibility of interest paid on loans used in mergers could be cancelled;
  - the reintroduction of succession taxes, with exemptions for the average family home or farm and for transfers to spouses;
  - a net wealth tax, such as the 0.1% to 3% of the net value of assets imposed in some European countries, might generate \$400 million to \$600 million;
  - a special tax on higher-income earners. For example, a graduated rate from 2% to 8% that would start at incomes around \$45,000 with the highest rate at incomes over \$200,000, is estimated to generate \$1.3 billion to \$1.7 billion.

(OFS)

- Ways in which the government could raise revenue in order to fund Stage One of Transitions include:
  - increase the corporate income tax rates by 1%;
  - introduce a minimum corporate income tax; and
  - eliminate one of the deductions available to business and industry, such as the Capital Gains Exclusion.

(CPJ)



## EDUCATION

### Elementary and Secondary

- All school age children (J.K. - Grade 12) of Ontario, who qualify for reasons of distance, should be allowed equal access to ride the bus to the school of their choice, if such school has received Ministry permission to operate, is open to inspection and its program of instruction is such that its students are able to transfer to any other inspected school at the same grade level of standing.

(Londog)

- Any proposal, including the possible pooling of commercial-industrial school taxes, that would impose an increased tax burden on Metro Toronto ratepayers is opposed.

(Board)

- The following proposals should be given high priority in the 1989 Ontario budget:

- Protect the funding base of Ontario's public school system;
- Establish a plan to phase in a return to the 60/40 provincial/local education cost sharing arrangement;
- Increase per pupil recognized ceilings to more realistic levels;
- Increase the rate and the amount of capital funding for renovations, repairs and replacements as well as for new pupil places required by growth;
- Increase continuing education funding to ensure open access;
- Provide school boards with adequate funding for child care capital and administrative expenses;
- Provide funding as necessary to make required environmental improvements;
- Provide funding to support pay equity implementation; and
- Reinstate the exemption of school boards from the retail sales tax.

(OPSBA)

- The following is a response to the Treasurer's Green Paper on Financing Growth-Related Capital Needs:
  - The provincial share of all approved school capital projects should continue at the existing average of 75% of approved costs;
  - There should be a substantial increase in the 1988 commitment of \$300 million a year for three years for school capital in response to unmet needs and increases in construction costs;

- There should be an increase in the schools' share of the overall provincial funds for capital projects from 10% to 12%;
- There should be a fresh commitment of capital funding for a fourth year;
- The 1989 and 1990 allocations for school capital should be distributed 25% to renovations or replacements and 75% to new pupil spaces;
- Upcoming allocations for school capital should be distributed proportionately to the need between public and separate school boards;
- Lot levy funds raised for the purpose of helping to pay for public school projects should not be deposited into a trust account held jointly by the co-terminous school boards. The proposed Development Charges Act should be drafted to provide that each school board establish its own trust account without additional controls imposed by the provincial government; and
- There is conditional support for the use of lot levies; the support depends on factors that include having a review after three to five years, being used only for new pupil spaces and as an additional rather than primary source of funds, and including growth needs as a result of both development and redevelopment.

(OPSBA)

- The grant ceilings for per pupil expenditures should be revised to reflect the current actual costs of elementary and secondary and this increase should be funded through additional transfer payments to school boards.

(OPSTF)

- The services of guidance specialists and resource librarians should be mandatory for elementary schools and specific provincial grants should be established to support this.

(OPSTF)

- Specific per pupil grants should be established to support technical education at the elementary level.

(OPSTF)

- Specific provincial grants should be established to encourage the provision of music specialists in elementary schools and to provide the necessary support materials for a quality elementary music program.

(OPSTF)

- Specific funding should be established for the development of curriculum guidelines and for specialized staffing for elementary physical and health education.

(OPSTF)



## Post-Secondary

- The government should not use increased tuition fees as a means of bridging the funding gap; substantial increases in tuition fees, or the de-regulation of tuition fees, will virtually eliminate accessibility to universities and colleges in Ontario.  
(OFS)
- As a minimum, the government should follow the advice of the Ontario Council of University Affairs and, in the forthcoming budget, supplement the recent announcement of a 7.5% increase in operating funds in order to bring the operating grant increase up by 10% above inflation for 1989-90.  
(OFS)
- The operating formula of the universities should be altered, so that funds are distributed among the various institutions according to more current levels of enrolment. Allocating the funding on the basis of the rolling average of the last four years' Basic Income Unit levels would provide such equity, without sacrificing stability.  
(OFS)
- The government should allocate capital funding for a major expansion of student housing on campus, so that approximately 40% of the university student population could be housed in campus housing. Additional measures to improve the supply of student housing are listed in the brief and include the abolition of exclusionary by-laws, restricting the sale of university lands and tying it to the creation of affordable housing, and studies of student housing needs.  
(OFS)
- With respect to OSAP, the family home or farm should not be included in the net value of parental assets when calculating the parental contribution.  
(OFS)
- A larger sum of money should be spent on student aid on a permanent, year-after-year basis, so that accessibility to post-secondary education will be adequate. At the same time, some funding should be invested in student housing, providing seed money and organizational support for student organizations wishing to set up non-profit food cooperatives. In addition, establish a dental care plan and legislate, and if necessary subsidize, fares on public transit systems at a rate similar to high school students.  
(OFS)
- It is impossible for universities to carry out the government's policies of, for example, accessibility, with the present level of funding without a reduction in quality. The ambivalence in government policy and funding is a "blueprint for mediocrity." In order to be internationally competitive, the province needs excellent universities and products in order to succeed.

- The government is advised that: the public supports improved funding for education and for universities; the universities' perception of their mandate should be congruent with the role stated by government; and students and corporate employers both continue to express confidence in the value of university studies.

(COU)

- The government should be receptive to innovative proposals from the universities to diversify and enhance their sources of finance, materials and moral support through:
  - mechanisms to assure long-term financing of capital projects;
  - more favourable conditions for philanthropy; and
  - the restoration of an adequate level of base operating funds by a graduated increase over a fixed period in student tuition fees and matching government grants, with a portion of such augmented revenue turned back by the institutions into student aid.

(COU)

- In order to help find the funds, the universities would like greater freedom to set tuition fees, and advocate the use of tax incentives to encourage private contributions.

(COU)

- If the province cannot pay for broad accessibility, then accessibility should be capped rather than allow quality to decline.

(COU)

- In its allocations to the university sector, the government should target specific grants for hiring additional staff at the faculties of education.

(OPSTF)

- Private funding is not the solution to underfunding of universities in Ontario, because it is in the interest of the people of the province to have centres of higher learning which are free from private self-interest.

(OCUFA)

- If universities are to attain the world-class status promised by the government, they must be funded much more generously.

(OCUFA)

- Universities need an annual increase of 8% over inflation for five years to retire the cumulative shortfall and put operations on a sound base. This would include hiring at least 1,500 additional faculty.

(OCUFA)

## TRAINING AND ADJUSTMENT

- The Committee should seek assurance that the programs available for educating and training the least-well-educated unemployed are sufficient to ensure that these unemployed persons have the opportunity to join Ontario's increasingly skilled work force.

(ONGA)

- There should be greater integration of labour market adjustment programs with sector specific and regionally-based development strategies.

(SocTor)

- The program framework for labour market adjustment should seek to better integrate both the private and the institutional components of employment and skills training systems.

(SocTor)

- An on-line data-base should be created and funding should be extended to a wide range of community- and union-based organizations to facilitate electronic access to such information.

(SocTor)

- Mandatory job listing should be implemented.

(SocTor)

- Federal and provincial officials should confer on ways to develop improved occupational counselling programs for students at the secondary and post-secondary levels.

(SocTor)

- The desired direction for change is a model that would permit those with a need and an interest in upgrading, retraining or developing skills to do so at various points throughout their working lives. Such a policy shift should be accompanied by three innovations: a) widespread advertising of existing training opportunities; b) increased funding for programs for employed and recently displaced workers; and c) outreach, encouragement and affirmative action for those who might tend to be excluded.

(SocTor)

- A learner-centred employment training system should be established that provides universal accessibility to all workers and which counters systemic discrimination that characterizes particular segments of the labour market.

(SocTor)

- Training allowances should be increased to a living level, based on nationally accepted standards of living costs, tailored to account for differences in local conditions.

(SocTor)

- Core funding for long-standing community-based training programs should be established.

(SocTor)

- The 1984 recommendations of the National Advisory Panel on Skill Development Leave are endorsed, including: a) the establishment of new federal and provincial programs to provide support for the educationally disadvantaged; b) the establishment of education delegates in the workplace to link learners in the work force with local counselling and training opportunities; c) federal and provincial legislation to implement a universal program for educational leave without loss of income; and d) the establishment of local training councils to better link learners, needs and opportunities at the local level.

(SocTor)

- Program responsibilities should be rationalized among both senior levels of government; a national tri-partite (business, labour and government), federal-provincial Labour Market Adjustment Board should be created with regional committees down to the local level to ensure effective policy co-ordination.

(SocTor)

- The provincial government should retain primary responsibility for all educational and training programs undertaken prior to an individual's primary entry into the labour market, including an expanded range of apprenticeship training programs.

(SocTor)

- The provincial government should establish an inter-departmental committee with representatives from the four program delivery ministries, the Ministry of Labour and the Workers' Compensation Board to plan Ontario's programs and policies and to co-ordinate Ontario contributions to the proposed Labour Market Adjustment Board.

(SocTor)

- There should be representation from existing sectoral councils on the national Labour Market Adjustment Board.

(SocTor)

- Several alternative methods for raising the funds necessary to reform the labour market adjustment system are recommended: a) establishment of a variation of a grant-levy or grant-credit scheme, as recommended by the Parliamentary Task Force on Employment Opportunities in the 80s and the Skill Development



Leave Task Force; b) exemption of those firms and sectors opting into comparable programs; and c) establishment of labour adjustment funds as proposed by the Industry Committee of the Prime Minister's National Advisory Board on Science and Technology.

(SocTor)

- The evaluation model used in connection with the Social Assistance Recipient employment support projects should be extended to other elements of the training system.

(SocTor)

- With respect to adjustment to free trade, the Treasurer is urged to bring forward a report identifying vulnerable industries, expected job losses and the differential burden on older workers, visible minorities, women workers and immigrant workers whose occupational and language skills are below average.

(OFL)

- Either the government must opt into the federal Program for Older Worker Adjustment in order to access federal monies or the Treasurer must announce the government's intention to establish its own program. In either case, the government is urged to involve the labour movement as an equal partner in the design of a "made in Ontario" program for older workers and to continue to press for a satisfactory national program.

(OFL)

- The Treasurer is urged to announce that Ontario will assume the full cost of related child care when a single parent is receiving skills upgrading.

(OFL)

- Plant closure legislation should be strengthened as an essential aspect of adjustment policy. This should include:

- notice to workers and communities of plant closure;
- severance compensation to terminated workers;
- a requirement for justification by corporations and, when warranted, further compensation. This further compensation will be especially warranted in the case of branch plants when the parent enterprise itself continues to be an ongoing operation; and
- protection of outstanding notice, severance and wage claims in situations of insolvency.

(OFL)

- The Treasurer should indicate in his budget statement that the government will proceed with mandated training, with programs designed and administered on a bipartite basis, to be financed by a training tax.

- Flexible, creative and effective adjustment mechanisms and strategies on the part of government, business and labour are needed to assist firms to compete.

(CFIB)

## HEALTH

### Health

- The proportion of the health budget devoted to health promotion and disease prevention should be increased, and targets for funding goals in the next decade made public.

(SocTor)

- There is a need to revisit the recommendations of the many health reports that have not been implemented, including more flexible and more efficient use of health manpower, and an examination of alternative funding arrangements to fee-for-service medicine. Recommendations that have been consistently made over the past 15 years to the Ontario government should be implemented.

(SocTor)

- Health care priorities need to be re-ordered. Health care services should emphasize more cost- and health-effective vehicles of community health service delivery. A minimum of 1% of total annual expenditure should be directed towards health promotion programming, with a further 1% allocated for community-based support services. Further, over the next ten years, 0.25% per year of the provincial health budget should be earmarked for development and expansion of existing health promotion and community-based support programs.

(PubHealth)

### Hospitals

- The treasurer should adjust the 1989/90 general operating support for Ontario hospitals by \$16.5 million to support \$11 million increased labour costs and \$5.5 million to reflect the revised forecast of hospitals requirements for growth.

(OHA)

- The government should provide an additional \$25 million to hospitals in recognition of extraordinary costs to be incurred in 1989-90.

(OHA)

- The government should finalize the second phase of the 1986 capital funding plan and develop, in consultation with hospitals, a strategy for addressing future capital requirements.

(OHA)

- The government should restore funding to levels where hospitals can retain 2% of operating budget for capital reserves and adjust requirements for hospital financial reporting to ensure that operating and capital funds are identified separately.

(OHA)

- The government should recognize that hospital foundations must remain a source of funding for the community's share of capital costs and not be considered as a source of hospital operating funds.

(OHA)

- The government should require that all proposals for new or expanded diagnostics services and laboratories, whether proposed by public or commercial enterprise, be reviewed by district health councils for recommendation to the Ministry of Health. The government could consider the proposed Independent Health Facilities Act, 1988 (Bill 147) as an appropriate legislative tool for this initiative.

(OHA)

- The government should undertake a comprehensive study of the provisions of laboratory and diagnostic services both in hospitals and in the community.

(OHA)

- The government should consult with transfer payment recipients to develop a process to implement government initiatives with significant cost implications. Consideration of the issue should include: the timing of implementation; the portion of the recipient's budget represented by these costs; and availability of off-setting revenue.

(OHA)

- The ministry sponsoring the legislation or policy change should provide data on the projected costs.

(OHA)

## Mental Health

- The proportion of funding for community mental health should be increased and set as 12% of the total mental health budget.

(CMHA)

- There should be a more equitable distribution of resources for children's mental health services, so that each region in Ontario receives its fair share.

(CMHA)

- Resources allocated to community mental health services and to the seriously mentally ill have been declining while there is a predicted increase in the elderly and the prevalence of mental illness. Therefore it is recommended that the



provincial budget allow for an increase in mental health funding as a proportion of Ministry of Health and government spending. This would be consistent with recommendations by the Graham Committee, the Evans Committee and with the principles outlined in the Report of the Ontario Health Review Panel.

(WRHMH)

- The Ontario government should lead the way in providing research funds to find the means to alleviate the suffering of the province's schizophrenics. In particular, an additional \$300,000 should be made available to the Ontario Mental Health Foundation in the 1989-90 fiscal year, to fund the first year of about ten major projects. In the following year, this amount should be increased to \$500,000 with further increases beyond 1991.

(OFSchz)

### Pharmaceuticals

- There should be fundamental changes to the Ontario Drug Benefit Act, 1986 and the Prescription Drug Cost Regulation Act, 1986, in open consultation with all parties, to eliminate the problems of "price spreading," and encourage fair, healthy competition, rather than intervention, as the basis for effective cost-reduction and efficiencies in the prescribed drug component of Ontario health care costs. The province of Ontario should adopt the "actual acquisition cost" system proposed nationally by PMAC.

(PMAC)

- Product selection by the dispensing pharmacist should not be influenced by economic considerations but by what is in the patient's best health interests.

(PMAC)

- Product selection should take place only with the patient's knowledge and consent.

(PMAC)

- The prescribing rights of the physicians should be protected. Physicians should also be informed in the event of product selection.

(PMAC)

- The province of Ontario should request the Health Protection Branch of Health and Welfare Canada to rule on the interchangeability of drug products. This would eliminate costly duplication.

(PMAC)

- Drug utilization is both a cost and a health issue. The rational use of drugs can be promoted through better information and education. The PMAC supports the introduction of "smart cards" in pharmacies, and the proposal by the University of Saskatchewan, McGill University and McMaster University to establish a Centre of Excellence to assess the risks and benefits, and cost-impact of drug use on the health and quality of life of Canadians.

(PMAC)

- PMAC endorses the principle of original package dispensing so that pharmaceuticals are sold to consumers in the manufacturer's original packages.

(PMAC)

- Under no circumstances should the present reimbursement system be changed to an acquisition cost system.

(CDMA)

### COMMUNITY SERVICE ORGANIZATIONS

- The Management Board and government of Ontario should take action on the MB-20 that was submitted in the fall of 1988 and enhance the base salaries of staff members of Young Offender transfer payment agencies.

(OCODHA)

- The Ministry of Community and Social Services should address the wage inequity issue for the entire Young Offender system instead of dealing with individual agencies as a concern or problem develops.

(OCODHA)

- The government of Ontario and the Ministry of Community and Social Services should attempt to follow the spirit of its own legislation (i.e. equal pay for equal work, pay equity).

(OCODHA)

- Each year the Ministry of Community and Social Services approaches transfer payment agencies with excess "capital" funds. This money could easily be used to address the wage issue. These "capital" funds could be allocated to transfer payment Y.O.A. service providers on an annual basis to enhance base salaries.

(OCODHA)

- If the above recommendations cannot be actioned, the following should be considered:

- In 1988, the Central Region of the Ministry of Community and Social Services was prepared to enhance the base salaries of all transfer payment Young Offender service providers' staff by \$3,000 but was told not to as it would upset the other Regions. The Ministry of Community and Social Services should determine the whereabouts of these funds and use them to enhance the base salaries of transfer payment Young Offender programs to the best of its ability.

- The Ministry of Community and Social Services should change their directive that allows only cost of living increases to transfer payment budgets so that Area Offices that have made this issue their major priority can cut corners elsewhere if they wish in order to enhance base salaries.

(OCODHA)

- The government is urged to take immediate and effective action to improve the deplorable salary rates within professional services categories in the voluntary sector.

(Dimes)

## CHILD CARE

- Revised and strengthened enforcement procedures in child care should be introduced. This would involve a number of changes, including:
  - separating government staff roles between inspectors and advisers;
  - appointing a Child Care Advocate to represent staff and parent interests;
  - differentiating between different types of violations of the regulations and distinguishing between those which require urgent action, those which require expedient action, and those which involve items which can be phased in over a period of time;
  - making the procedures uniform across the province; and
  - providing and publicizing an easy procedure by which all parents can have full access to information.
- In recognition of the fact that the quality of staff is the major determinant in the quality of child care, additional grant monies should be provided to enhance the salaries of child care staff.
- Capital funds should be allocated on a priority basis to existing child care programs to improve their quality and ensure that they at least meet the minimum standards.
- Immediate steps should be taken to end financial support to commercial child care programs by:
  - limiting new purchase-of-service agreements to serve subsidized children to non-profit programs only;
  - announcing a detailed plan (within 30 days) which outlines phasing out existing purchase-of-service agreements to commercial programs within 5 years and the complimentary increase in non-profit programs; and
  - producing a plan for conversion of commercial programs promised in New Directions in 1987 (within 30 days).

(ChildCare)

- The Province of Ontario should acknowledge that conditions in Ontario have changed since the planning of New Directions and that the government should immediately re-examine its spending allocations to make available sufficient funds to provide subsidized child care spaces for all children who have been approved for a child care subsidy and are currently on the waiting list in Ontario.

(ChildCare)

- The Province of Ontario should acknowledge that affordability is a crucial issue facing parents in Ontario and take the following steps to avert this aspect of the crisis:
  - publish its plans for the introduction of income testing for full community consultation; and
  - increase the direct operating grant to 30% of operating costs in order to make available funds to actually reduce the cost of parent fees.

(ChildCare)

- The Province of Ontario should immediately instruct municipalities withholding the direct operating grant to distribute it to their staff; otherwise the government should take steps to distribute these funds directly to the staff.

(ChildCare)

- The Province of Ontario should oppose the reintroduction of Bill C-144 (or similar legislation) and lobby the federal government to introduce a Canada Child Care Act which will ensure expansion of subsidy dollars, ensure funding to non-profit child care programs only and make available cost-sharing of operating and capital grants to non-profit child care programs.

(ChildCare)

- In the long run it will cost more to provide for single mothers on welfare than it will to provide subsidized child care spaces that will enable the mother to work.

(ChildCare)

- There should be a significant allocation in the 1989 Ontario budget for the provision of additional subsidized day care space.

(SocTor)

## DISABLED COMMUNITY

- Vulnerable adults in institutions are powerless to control their own lives, and frequently are subject to abuse of their legal rights. An advocacy and guardianship system would empower these vulnerable adults and enhance their independence. While a comprehensive system would be costly, significant improvements could be achieved in the short term through restructuring of existing programs and the use of volunteers; this would also allow community involvement in the development of a long term program.



- The blind should be given the opportunity to improve the quality of their lives. With up to 80% of the working blind unemployed, help should be given to assist these people in finding employment, with, for example better access to equipment and training, employment targets, etc. Financial assistance provided now will result in reduced expenditure in the long term.

(BOOST)

- For those disabled people for whom employment is not a solution, social assistance levels should be improved to help integrate them into the community. Stage One of Transitions should be implemented.

(BOOST)

- The dissemination of information should be improved so that the disabled can keep informed. For example, it is estimated that up to 80% of information is in print form, and therefore inaccessible to those who are visually impaired or those, such as quadriplegics, who are unable to turn the page.

(BOOST)

- There should be an extension of drug benefits to people with high drug costs on low incomes.

(PUSH)

- Any money going towards publicly funded and/or subsidized housing must only be made available if a reasonable number of units are going to be designated for people with disabilities.

(PUSH)

- Although there have been improvements in the funding levels for the Assistive Devices Program, changes have been slow and not necessarily reflective of actual costs of equipment; therefore, the program must receive the money to live up to the 1987 Liberal election promise.

(PUSH)

- The integrated homemaker program must be adequately funded or a better substitute must be established.

(PUSH)

- Support services such as attendant care are required to meet the housing needs of persons with disabilities. The government is urged to match funding to the extreme need for housing and attendant care identified in the government's study Independence and Control: Today's Dream, Tomorrow's Reality.

(Dimes)

- Adequate funding should be provided for the full range of needs recognized in the province's creation of its Project Opportunity Program for vocational rehabilitation.

(Dimes)

- The government of Ontario is encouraged in its negotiations with the federal government to reach a new agreement on the vocational Rehabilitation for Disabled Program in order to resolve many of the current wage issues and allow funding for community-based employment. In the interim, the government of Ontario should provide full protection for MCSS funded agencies against litigation as a result of the conflicting wage policies of the Ministries of Community and Social Services and Labour.

(Dimes)

## OTHER SOCIAL ISSUES

This section covers recommendations and concerns that were not directly identified by witnesses as a response to the SARC report, Transitions.

- The provincial government should make the elimination of hunger, homelessness and poverty the provincial priority for budget planning.

(ISARC)

- The Committee should recommend that the provincial government urge the federal government to adopt as a priority the objectives of the Canada Assistance Plan Act.

(ISARC)

- The proposed increase in social benefits to \$1,167 per month for single-parent families and \$1,226 for families of four is desperately needed. Without these increases, families will be forced to seek separate shelters.

(Neighbour)

- Some families spend 40% to 60% of their income on shelter. Until the province can develop efficient policies and legislation to ensure shelter for its growing number of people living in poverty, social assistance should reimburse recipients for 100% of the actual shelter costs up to the existing subsidy ceilings, and costs of utilities should be included in shelter costs.

(Neighbour)

- Funds should be allotted for extending the eligibility for social assistance to refugees, most of whom are determined to be self-reliant.

(Neighbour)

- Funding should be made available for the re-training and re-orientation of social assistance workers to help clients plan for the future.

(Neighbour)

- Provincial and federal funds should be allotted to top off wages of low-income workers so that they can afford to work rather than return to social assistance.

(Neighbour)

- Funding should be allotted to initiate a study of the development of a market-basket approach to setting benefit levels for people living in different areas; varying costs of food, shelter, clothing, as well as telephone expenses, should be taken into account.

(Neighbour)

- The prevention of child abuse depends on the eradication of poverty.

(Greenland)

- The program that would have the greatest impact for social good would be the provision of affordable housing.

(Greenland)

## TRANSPORTATION

- Provincial road subsidies for 1989 represent a decline from the 1988 total, when adjusted for inflation. The government is encouraged to review its commitment to this essential component of community life by increasing its financial involvement in road repairs and construction.

(Mississ)

- There should be increased and effective public transit in Mississauga.

(Mississ)

- The government is urged to recognize the importance of the Peel section of Highway 407 and to indicate when it will undertake construction or allocate funding for this section of the project.

(Mississ)

- There is concern that the enriched funding for roads and highways in the 1987 and 1988 budgets has not been reflected in the current construction program.

(Roads)

- Other provinces have made long-term commitments to upgrade their infrastructure, including roads and highways. If Ontario is to retain its leadership role in maintaining both economic growth and quality of life, it is essential that the government make some long term commitments, seek federal participation and develop some creative funding techniques.

(Roads)



- The provincial government should reconsider its decision not to increase road grants and, at a minimum, municipal road funding should be increased in 1989 by at least the rate of inflation or the Southam Construction Index.  
(GdRoads)
- The revenue generated by the one cent per litre tax imposed in 1988 should be dedicated to municipal roads funds.  
(GdRoads)
- The provincial government should stop shifting responsibilities to municipalities without a corresponding increase in municipal transfer payments.  
(GdRoads)
- The transportation issues and their solutions should be considered in the context of the provincial government's total policy development. The implications must be considered in every policy statement so that municipalities are not left to assume increased responsibilities.  
(GdRoads)

## HOUSING

- Escalating housing costs make it imperative for government to take decisive action in terms of:
  - standards to eliminate red tape that delays construction projects and prohibits intensification;
  - expenditures for more social housing, more co-operative housing, more serviced land, trunk sewers, etc. and
  - lowering of costs related to transfer taxes and municipal levies.(SocWork)
- The provincial government should consider raising its 25% affordable housing target to better meet the needs of the households of Ontario and as a means of bringing a greater number of housing options to market.  
(Dimes)
- The provision of more affordable housing in those areas of Ontario where there is a shortage will not be accomplished by an illogical and risky increase in a government's revenue generating [land transfer] tax. It will only be achieved through a comprehensive housing policy which addresses the problem on several fronts and which is backed by the political will to see it succeed.  
(MissRE)

- An increase in the land transfer tax would preclude even more first-time home buyers from entering the market.

(MissRE)

- A land transfer tax increase would have no effect on rising prices in the Greater Toronto Area but could cause prices to plummet in other Ontario communities.

(MissRE)

## MUNICIPALITIES

- The government of Ontario should provide an economic increase on the unconditional grant program for 1989 so that municipalities will have some revenue capacity to respond to the growth in conditional grant areas. The Association of Municipalities of Ontario requests an allocation of 5% of \$871 million (\$43 million) and that the formula be allowed to operate to avoid "catch-up" in future years.

(AMO)

- In a gesture of cooperation, the Association of Municipalities of Ontario urges the provincial government to establish a provincial-municipal review of local government finance to develop a more responsive financial partnership for the future.

(AMO)

- The government should not intrude into the lot levy field. Education should be funded more from income tax than property tax. Further, lot levies will have an adverse impact on affordable housing.

(AMO)

## AGRICULTURE

- The Ontario Beekeepers' Association requests a \$6.2 million assistance package spread over four years, with \$2.3 million being spent in the first years, and reducing the amount by \$500,000 in each year of the program. This program would attack the main problems facing beekeepers: immediate financial difficulties, decreasing honey sales, bee diseases and parasites, improving efficiency and quality standards and research.

(Beekeepers)

## MINING

- A cost-benefit study should be done and tabled in the Legislature accompanying any proposed government legislation so that the true costs of such legislation or regulation can be known and appreciated.

(OMA)

XXX

- Social assets, such as housing, recreation and civil service facilities, should be allowed as a tax deduction under the Ontario Mining Tax Act.

(OMA)

- The government should rethink its approach to pension indexing in Ontario.

(OMA)

- As the Canadian-Ontario Mineral Development Agreement expires in March 1990, the Ontario government is urged to sign a further agreement with the federal government in order to have an even greater emphasis on research and development.

(OMA)

- The maple leaf gold coin may be considered an investment vehicle and should not be taxed.

(OMA)

ENERGY

- Ontario energy and budget policies should encourage the strategic use of natural gas in electricity generation and give priority to the maximum development of economic independent generation. Further, a regulatory mechanism should be put in place as soon as possible to implement independent power.

(ONGA)

- Existing incentives for natural gas vehicles (NGV) should be maintained and further steps as described in the brief should be taken to secure the economic and environmental benefits of NGV.

(ONGA)

TOURISM

- The government should re-institute and expand the Tourism Redevelopment Incentive Program (TRIP) to assist tourism operators in establishing and upgrading tourism facilities.

(ACT)

- The government should increase its financial commitment to tourism marketing, particularly targeted in jurisdictions beyond Ontario's borders.

(ACT)

## TELECOMMUNICATIONS

- All previously available and committed estimates and funding under the Television Extension in Northern Ontario (TENO) program should be continued in the 1989/90 budget and beyond. Without extension of the deadline for financial assistance from January 1989 to December 1990, cable operators cannot economically justify cabling and servicing smaller communities in the North, in light of the low population density, the high capital costs to install the cable plant and satellite receivers and no economic return.

(Cable)

## ENVIRONMENT

### Grants and Subsidies

- Canada and Ontario should provide incentives to the public and to business that encourage environmental protection, rather than giving grants and subsidies to industries that harm the environment, for example, public utilities vs. independent electricity producers.

(Vezina)

## NATIVE AFFAIRS

- While Ontario is attempting to complete its forty year period of Indian specific policy development, it continues, through other legislation, policies and programs, to encroach on and extinguish aboriginal and treaty rights. Examples are the use of Crown lands as a development tool, and the environmental effects of industrial development near First Nation boundaries.

(Indians)

- The provincial government is reorganizing the Ontario Native Economic Support Program without consulting the Ontario First Nations on its delivery. For example, the criteria of a minimum of four entrepreneurs for establishing incubator malls is inappropriate in Native communities with small populations.

(Indians)

- The provincial government should establish a commitment to Native economic development that is independent from the federal government and which will address Native needs province-wide.

(Indians)

- In order for Ontario to meet its responsibilities as an equal partner in the tripartite process of defining jurisdiction, a commitment of an additional \$352,000 is necessary.

(Indians)



- If the First Nations of Ontario are to enter into working agreements with Ontario for the delivery of services and development of the economic base in these communities, funds have to be made available by Ontario.  
(Indians)
- If Ontario is assuming authority over its Native people, the responsibility of supporting the Native people must also be assumed by Ontario.  
(Indians)
- The Ontario Native Affairs Directorate should be mandated and resourced to coordinate new forums to address the issue of provincial jurisdictions. Such forums could include a constitutional table, public education forums, resource material, and provincial/First Nation/business concerns.  
(Indians)
- The development of provincial policy on First Nation specific issues must become part of a co-ordinated provincial agenda and not done on an ad hoc basis. This development must include consultation with First Nations.  
(Indians)
- BinojehnuK Endahjik should be funded at a level of eight beds, with an additional two beds to be funded on an ad-hoc basis.  
(BinEnd)
- The cultural component of our program should be restored to \$25,000 plus COLA in recognition of the importance and uniqueness of our home.  
(BinEnd)
- BinojehnuK Endahjik should be funded for a full-time Liaison/Cultural Program position. This person would ensure all referral sources knew about its program and would assist other agencies and homes who have Native youth to understand Native people and would help those youth to understand themselves.  
(BinEnd)
- The province should set up an office dedicated to ensuring Native youth received appropriate referrals in the system. This office would be made aware of the number of Native youth in the system and where culturally appropriate vacancies existed to assist the youth, and would facilitate communication between Native specific agencies.  
(BinEnd)
- The province should offer its long term commitment to the concept of culturally specific programs for Natives.  
(BinEnd)

- The province should ensure the funding of the Binojehnuik Endahjik Section 16 school is commensurate to the provincial average of student-to-teacher ratio and not on the maximum number of residents.

(BinEnd)

- COMSOC policy should be amended to allow CAS referrals to be sent to Binojehnuik Endahjik where it is agreed to by the local CAS, the child, the parent(s) and Binojehnuik Endahjik.

(BinEnd)

- The Ministry of Correctional Services per diem should be increased from \$90.00/bed/day to \$160.00/bed/day which will compliment what COMSOC is already doing.

(BinEnd)

- The following should be made available: a) current statistics on Native Young Offenders; b) method of identifying Natives; c) definition of regions/districts; d) formula to determine allocation of beds per region/district; e) criteria for budget allocations and approval level in the bureaucracy; f) definitions of "special needs" and "hard to serve."

(BinEnd)

- Provincial corporate policy regarding Natives should be implemented at the local level to ensure consistency and a more productive working relationship.

(BinEnd)

- The government is urged to remove the budgetary roadblocks to progress along the important path of defining and giving substance to Indian self-determination and institutions of self-government.

(Iroquois)

- It is recommended that intense consultation should take place between the provincial and First Nation governments in drafting policy papers in areas central to the development of a comprehensive policy on First Nations' jurisdictions.

(Iroquois)

#### **Native Education**

- The province should contribute to Native education on and off the reserve.

(Indians)

- Changes should be made to provincial laws that will give protection or recognition of aboriginal languages. There is a need to emphasize and expand Native as a second language initiative and to upgrade and develop instructional materials, primary and supplementary, and reference materials.

(Indians)

- There should be revisions involving the structure of federal equalization payments in the form of conditional education grants for Native language infrastructure. Further provisions would authorize the creation of Native school boards, and allow proportionate and equitable participation by Native parents and communities. Representation must not be based on municipal tax tolls, so that on-reserve Natives can vote and run for office.

(Indians)

- There should be a curriculum centre for the development for Native education of curriculum units, materials development, teacher certification, etc. Funding could come from the province issuing general legislative grants to First Nation school systems.

(Indians)

#### **Native Health Policies**

- Financial resources should be provided for development by First Nations of home care programs, which should result in cost savings compared to the high cost of institutionalized services off-reserve, and for upgrading a senior's domicile to a certified nursing home.

(Indians)

- A special task force of provincial officials, private health care agencies and Anishinabek Health Commission officials should be funded to provide an overall plan for the Indian health aspects of the provincial system.

(Indians)

#### **MULTICULTURALISM**

- The Minister of Citizenship should evaluate the Multicultural Strategy, assessing it for its effectiveness and efficiency, and make this evaluation public. The evaluation should address the impact which the Strategy has had on improving access and equity for cultural and racial minorities in Ontario.

(SocTor)

- The Ontario government needs to publish a policy paper to better define the meaning of "multiculturalism" within its Strategy and the programs of its Ministries.

(SocTor)

- Every Ministry should be required to isolate its expenditures on multiculturalism, so that the public can assess the resources devoted to the Strategy.

(SocTor)

- Multicultural policies that guide decisions and actions need to be developed and published by every Ministry of government.

(SocTor)



- All Ministers, especially the Minister of Community and Social Services, should consider establishing an Advisory Committee on Multiculturalism that will guarantee community advice on its policies, programs and initiatives.

(SocTor)

- The following recommendations apply to the province's five year Multicultural Strategy:
  - Each Ministry should review its goals and objectives.
  - Increase access to the Ministers by hiring more people, especially those sensitized to the issues.
  - Each Ministry should have a total funding policy that is not discriminatory.
  - There is concern with inadequacy of funding at Citizenship.
  - Increase financial support for greater accessibility to community-based services.

(OCASI)

- Language training in English or French in a culturally appropriate manner is a fundamental priority. Without language skills many immigrants have limited access to community services or the work force.

(OCASI)

## TAX REFORM - PHASE II

- Reform of the existing manufacturers' sales tax is strongly advocated.
- (CAC)
- There is concern about the regressive nature of a sales tax in view of the government's intention to continue to rely on consumption taxes, and concern that the sales tax credits accompanying the new tax will not be large enough, nor delivered in time to compensate for higher prices.
- (CAC)
- To address fairness, there must be a commitment to restore full indexing for deductions and credits.
- (CAC)
- The Board of Trade of Metropolitan Toronto is in favour of Phase 2 of tax reform providing it is introduced in concert with the provinces.

(Board)

- A combined federal-provincial sales tax will benefit Ontario because there will be an expansion of the tax base, a decrease in the present leakage in the retail sales tax system, a possible reduction in administration costs for the province, and Ontario's products would more competitive.

(Board)

- The general thrust of proposed tax reforms is opposed, especially that of sales tax, as having the effect of redistributing income up rather than down.

(OPSEU)

- The Ontario government should confirm its support at an early date for the introduction of a national sales tax to replace both the federal and provincial sales taxes.

(Board, Bell)

- There should be a full public review of sales tax reform options. The Treasury should analyze and report on the consequences of sales tax reform for Ontario's finances over the medium term.

(ONGA)

- The proposed value-added tax should be imposed on a common base and with one rate across all provinces.

(Friedman)

- Ontario should encourage the federal government to adopt a new sales tax system as soon as possible. If the province joins the National Sales Tax, there should be long term agreements to ensure a common tax base; the change should be revenue neutral.

(Mississ)

- If reform of the sales tax system is to have any chance of implementation, it will require total consensus and cooperation by the federal government and all the provinces on one system. Without a single system, the compliance costs to the small business sector would be unacceptable.

(CFIB)





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# Standing Committee on Finance and Economic Affairs

Pre-Budget Consultation, 1990

2nd Session 34th Parliament  
39 Elizabeth II





LEGISLATIVE ASSEMBLY  
ASSEMBLÉE LÉGISLATIVE

The Honourable Hugh Edighoffer, M.P.P.  
Speaker of the Legislative Assembly

Sir,

Your Standing Committee on Finance and Economic Affairs  
has the honour to present its Report on its Pre-Budget  
Consultation, 1990 and commends it to the House.

A handwritten signature in dark ink, appearing to read "Steven Mahoney", with a long, sweeping flourish extending to the right.

Steven Mahoney, M.P.P.  
Chair

Queen's Park  
March, 1990





**MEMBERSHIP OF THE  
STANDING COMMITTEE ON  
FINANCE AND ECONOMIC AFFAIRS**

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CHAIR**

**FRANK FAUBERT  
VICE-CHAIR**

**DIANNE CUNNINGHAM\***

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**HANS DAIGELER**

**RAY HAGGERTY**

**BOB MACKENZIE\*\*\***

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**Lisa Freedman  
Clerk of the Committee**

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**David Rampersad  
Research Officer**

**\* Substituted for by Sam Cureatz for adoption of the Report**

**\*\* Substituted for by John Cleary for adoption of the Report**

**\*\*\*Substituted for by Howard Hampton for adoption of the Report**



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## INTRODUCTION

The Standing Committee on Finance and Economic Affairs is pleased to present its report containing recommendations and comments about the economic and fiscal priorities of the province for the Ontario Budget 1990.

During the course of public consultations held between January 15 and 25, 1990, the Committee heard presentations from more than 40 delegations, and received a further 14 written briefs. Prior to the hearings, the Committee was given a comprehensive briefing on Ontario's economy contained in the Economic Outlook and Fiscal Review: Ontario 1990, prepared by the Ministry of Treasury and Economics, and had discussions with the Treasurer and staff from the Ministry of Treasury and Economics.

The Committee felt that it would be beneficial to seek opinions from economists outside the government on the range of economic forecasts for Ontario and on ways in which any slowdown could be managed. The C.D. Howe Institute, Wharton Econometric Forecasting Associates, Data Resources of Canada, the Bank of Nova Scotia and the Canadian Imperial Bank of Commerce were all able to accept the Committee's invitation. The Committee is appreciative of the time and effort given by these organizations to share their expertise and to provide the Committee with their views and opinions on options for Ontario's economy in 1990 and beyond.

Of particular concern to the Committee last year was the implementation of the social assistance reforms recommended in Stage One of the Social Assistance Review Committee report, Transitions. The Honourable Charles Beer, Minister of Community and Social Services and members of his staff, appeared before the Committee to brief it on the status of the reforms whose funding had been announced in the 1989 budget. In addition, in view of the number of presentations about housing, Mr. Walter Elliot, Parliamentary Assistant to the Minister of Housing, and staff from that Ministry appeared before the Committee to advise the Committee of the Ministry's activities.

The Committee is most appreciative of the thorough and articulate testimony it received from all witnesses, and thanks all those who took the time to make such a contribution to the pre-budget process.



## PRE-BUDGET CONSULTATION PROCESS

The Standing Committee on Finance and Economic Affairs has held pre-budget consultations since 1987. The consultations are intended to provide a forum through which members of the public can express their views on Ontario's economy and the upcoming budget, and provide members of the Committee with an opportunity to deliberate on the priorities for the province. As an all-party committee, it endeavours to make observations and recommendations that reflect the consensus of its members.

In 1989, the primary focus of its report was a unanimous recommendation that Phase One of the SARC report be implemented, and the Committee was encouraged to find that social assistance reforms were included in the 1989 budget. It was also pleased to be able to review the budget with the Treasurer, immediately following the budget announcement.

The Committee notes that the presenters in this and previous years are from similar sectors of the economy and almost entirely from the Greater Toronto Area. The Committee does not receive a full cross-section of expressions of concerns from all regions of the province and all sectors, which places limitations on the extent to which it can evaluate the priorities for the province. In addition, the Committee is concerned that it should be able to hold the pre-budget consultations early enough to make a useful contribution to the Treasurer.

### Committee's Observations

The Committee is of the opinion that the pre-budget consultations should be focused on issues of economic outlook and fiscal policy rather than on detailed expenditures. Accordingly, this year the Committee invited a number of economic consultants to provide this macro-economic view of the province. In general, the intent of the Committee's recommendations would be to raise the standard of living across the province, rather than concentrating on individual sectors. Such long range planning would include issues such as taxation and overall wealth generation, international trade agreements or the implementation of the recommendations of the Premier's Council. The Committee might also wish to target specific areas each year in which to make recommendations. At the same time, it is useful for the Committee to hear the concerns and expectations of members of the public, and to be able to assess the priorities of these pressures.

The Committee therefore unanimously recommends that:

1. **Future pre-budget considerations by the Committee should include travel to communities outside of Toronto; the process should commence annually by early January and be completed by mid-February.**

## ECONOMIC OUTLOOK

### Witnesses' Comments

All invited witnesses who appeared before the Committee stressed that, while the rate of growth was moderating, the economy did not appear to be heading into a recession. The Canadian Imperial Bank of Commerce (CIBC) projected a real growth rate of 1.7% for 1990 while Data Resources of Canada (DRI Canada) expected a rate of 1.1%. On the other hand, the Ministry of Treasury and Economics suggested that the economy would continue its moderate rate of growth, averaging 2.0% in 1990, down from 2.8% in 1989, a conclusion which the C.D. Howe Institute agreed was realistic and which, it pointed out, even allowed for potential average real growth of around 3%. Several other groups suggested lower rates of growth. The Wharton Econometric Forecasting Associates (WEFA) suggested a growth rate near zero while the Bank of Nova Scotia (Scotiabank) suggested a rate as low as 0.5%.

The unemployment rate is expected to rise. The CIBC expects a rate of 5.2% in 1990 compared with the Treasury forecast of 5.5%. WEFA also expects the unemployment rate to continue rising, a conclusion concurred in by Scotiabank which sees it rising as high as 6.1%.

The Ministry of Treasury and Economics expects 71,000 new jobs to be created in 1990, down from 90,000 in 1989. Its estimate of an employment growth rate of 1.4% is considerably higher than the 0.3% rate estimate of Scotiabank.

At the same time, the inflation rate is likely to decline as the level of consumer demand continues to fall. The CIBC expects the inflation rate to be around 4.8% while the Ministry of Treasury and Economics expects an inflation rate of 5.3%, down from 5.9% in 1989. WEFA also agrees that the inflation rate will be lower in 1990 than it was in 1989.

Immigration trends provide useful insight into the level of economic activity. DRI Canada expects slower net immigration to Ontario during the early 1990s. Scotiabank points out that, for the first time since 1981, net interprovincial migration turned negative for the province in 1989. As the economic growth rate moderates, it is expected that such migration will continue to fall. On the other hand, Scotiabank suggests that continued high rates of international immigration will provide important support for the province.

Slower growth is most evident in specific sectors. The automobile industry, one of the engines of the provincial economy, is expected to be affected. DRI Canada suggests that weakness in the auto sector has constrained growth in the transportation equipment industry to 0.7% in 1989 and may constrain it to a projected 0.4% in 1990. Several manufacturers have laid off workers already this year. DRI Canada also expects North American auto sales to rebound in 1991, thereby pushing up output levels, but sees more subdued levels in the rates of growth. According to Scotiabank, recent layoffs and declining sales volumes indicate slower growth in the industry. The C.D. Howe Institute points out that the effects of the implementation of the Goods and Services Tax (GST), as consumers restrain purchases, will make the softness in the sector more pronounced in 1990. The Ministry of Treasury and Economics, on the other hand, concludes that while North American sales have been forecast to decline further in 1990, the provincial auto industry is expected to increase its output as new plants increase production to full capacity, both in 1990 and in the medium term.

The construction sector, which has experienced a very high rate of growth in the recent past, will be hard hit. According to DRI Canada, its growth rate will decline considerably from its 1989 levels as the non-residential investment cycle begins to wane, a conclusion in which Scotiabank concurs. Scotiabank suggests a drop in housing starts to 78,000 in 1990, slightly lower than the CIBC's projection of 79,200 and considerably lower than the estimate of 84,000 of the Ministry of Treasury and Economics. The Ministry feels that housing starts might be boosted by increased construction during 1990, partly in an attempt to forestall the effects of the implementation of the GST in 1991. It expects negative growth of 0.6% in the construction sector, down from 5.4% in 1989. The commercial sector will be the most adversely affected while residential construction is expected to remain relatively strong.

As far as the impact of new taxes on housing is concerned, the Ontario Real Estate Association has concluded that new house prices and, eventually, resale housing prices, could increase by as much as \$10,000 per house as a result of the introduction of Education Lot Levies. The Association suggests that the GST could add between 4% and 5% to the cost of building new rental accommodation which will be reflected



in increased rents. As far as existing rental housing is concerned, between 40% and 50% of the items included in the Building Operating Cost Index will be subject to the GST. With regard to re-sale housing, real estate commissions, appraisal fees, surveys and legal fees will all be subject to the GST and will therefore have an impact on re-sale prices.

Strong growth is expected in the service sector, with DRI Canada looking for particularly strong growth in finance, insurance and real estate. The Ministry of Treasury and Economics agrees that the service sector will experience the highest growth rate of any sector, at 2.6%, in 1990. On the other hand, between 1991-93, it expects growth in this sector to lag as the effects of the GST begin to be felt.

The appreciation of the Canadian dollar vis-a-vis the American dollar has had an adverse effect on exports since the U.S. is the largest market for Ontario goods. According to Scotiabank, the American expansion has run out of steam, clouding export prospects, a conclusion in which WEFA concurs. The Ministry of Treasury and Economics (MTE) is of the opinion that exports will increase slightly in 1990 to 2.3% from 1.9% in 1989, partly as a result of the effects of a lower dollar which is expected to fall to the U.S. 81 to 84 cent range.

#### SELECTED INDICATORS FOR 1990

Forecaster	Real GDP Growth %	Unemployment Rate %	Employment Growth Rate %	Inflation Rate %	Housing Starts (000's)
MTE	2.0	5.5	1.4	5.3	84
CIBC	1.7	5.2	1.4	n.a.	79.2
Scotiabank	0.5	6.1	0.3	n.a.	78
DRI Canada	1.1				

### Committee's Observations

The Committee noted that the rate of growth was moderating, that it would be at more sustainable levels in the medium term and that the economy did not appear to be heading into recession. Given the current outlook, there is little need for fiscal stimulus to encourage growth. At the same time, it is important that steps be taken to instill confidence and allay consumers' fears of a recession, thereby preventing a series of reactions on their part that might exacerbate a downturn.

The Committee noted that, in the auto industry, there are predictions of a decline in sales in 1990 but that Ontario's automobile output would increase as new plants increase production in 1990 as well as in the medium term.

The Committee commented that the provincial budget contains economic measurements of the province over a period of time but does not include broad measurements of social progress. It felt that the inclusion of such measurements would provide a wider socio-economic picture of Ontario.

The Committee unanimously recommends that:

2.       **The provincial budget should present a comprehensive picture of Ontario's economic situation and should include a broad range of social indicators which can be monitored and targeted for progress in future years.**



## FISCAL POLICY

### Witnesses' Comments

Virtually all the economic forecasters invited to appear before the Committee suggested that there should not be an increase in government expenditure, there should be no tax increases and efforts should be made to reduce the deficit.

According to the C.D. Howe Institute, since the medium-term fiscal projection of the Ministry of Treasury and Economics showed a widening of the revenue shortfall over the period 1992-93, the growth in expenditure should be targeted to be below the expected growth of revenues. The Institute felt, in order to achieve this, all program priorities should be clearly set out in the budget in order to minimize the problem of too many competing demands for inadequate resources and that these priorities should be adhered to in order to achieve expenditure goals. Programs should be cancelled when they no longer fulfill their mandate or have become obsolete. The government was also urged to overhaul its health, welfare and education programs.

The need for greater planning and co-ordination of policy was stressed by several presenters. Scotiabank recommended a more prudent spending agenda and a co-ordinated streamlining of existing requirements to make room for new requirements. It emphasized that the focus must be on spending cuts. Moreover, consumers should be educated about the true cost of services to make them appreciate the need for reform. WEFA suggested that spending should not be decreased or increased in a procyclical fashion, that is, government spending should be kept constant at a time when the private sector is increasing its spending. Moreover, it proposed a co-ordination of monetary and fiscal policy. The C.D. Howe Institute noted that a three-year fiscal outlook was included in the Economic Outlook and Fiscal Review and urged that the budget plan be placed in a medium-term context. A more rigorous forecast of revenues and expenditures than extrapolations from the past would be a useful addition to the Economic Outlook and Fiscal Review. CIBC suggested that government might not wish to curtail expenditure too radically at a time of slower economic growth and when the private sector is likely to reduce expenditure. Indeed, government might take advantage of slower private sector expenditure to

make necessary capital expenditure on infrastructure, particularly in areas where investment might be weak. CIBC wished to emphasize that capital spending should be made within a framework of an overall plan for reducing the debt burden.

As far as the taxation issue is concerned, CIBC proposed that, in order to achieve a current-account surplus, there should be expenditure restraint, not increased taxation. Scotiabank advised that the government should refrain from tax increases as a means of ensuring continued prosperity. WEFA suggested that increased taxation would merely reduce consumer spending further, implying that it would contribute to slower economic growth. The C.D. Howe Institute repeated that there should be no further increases in the tax burden for Ontario residents. It suggested that the extension of the retail sales tax to professional, commercial and personal services and energy goods would facilitate a lowering of the overall rate. Moreover, the continuation of provincial surtaxes was contrary to tax reform. If the surtax had no termination date, it should be replaced by a higher provincial rate of personal income tax.

The need to reduce the deficit and to balance the budget also received attention. CIBC suggested that, if the substantial tax increases and exceptional economic growth of the recent past were not sufficient to produce a balanced budget, the level of expenditures should be questioned. WEFA concurred in the argument for a reduction in the deficit. Scotiabank pointed out that borrowing to fund programs would reduce the government's fiscal flexibility to respond to periods of weak economic activity and would make it vulnerable to adverse interest rate developments.

Several recommendations were made regarding the need for stricter government accounting standards. CIBC suggested that the budget presentation should distinguish between current and capital revenues and expenditures. Both the Ontario Chamber of Commerce, which appeared before the Committee, and Bell Canada, which submitted a written brief, urged that, in order to make the province's financial position clearer and more widely understood, the government should implement the recommendations made by the Public Sector Accounting and Auditing Committee of the Canadian Institute of Chartered Accountants. This committee has been developing standards for financial statements as an aid to governments and to facilitate decision-making. Its recommendations include defining which government organizations should be included in the consolidated financial statements in order to understand better the province's debt position, and recording the physical assets of the province.

Committee's Observations

The Committee noted that there is evidence for slower economic growth and that many witnesses were worried about the current level of taxation.

The Committee therefore recommends that:

3.       **The levels of government expenditures should be restrained, there should be no major tax increases and efforts should be made to reduce the deficit.**

Since the federal government has decided to impose the Goods and Services Tax, the Committee also recommends that:

4.       **Ways of jointly administering the GST and the provincial sales tax should be explored.**

## RELATIONS BETWEEN LEVELS OF GOVERNMENT

### Witnesses' Observations

Provinces receive federal funding through federal-provincial fiscal arrangements and the Canada Assistance Plan. Under these fiscal arrangements, the federal government transfers funds to the provinces for certain national shared-cost programs, thereby maintaining the principle of interprovincial fiscal capacity equalization. The largest payments, for health care and post-secondary education, are made under Established Programs Financing. Funds are also provided under the Fiscal Equalization Program, the Fiscal Stabilization Program and the Personal Income Tax Revenue Guarantee.

The province provides funding to municipalities and to school boards to assist them in carrying out their mandate. Municipalities receive both conditional and unconditional grants. Conditional grants are provided for specific programs or services, principally for transportation, health, social services, the environment, and culture and recreation. They are subject to eligibility criteria and spending conditions and the municipalities are often required to contribute financially to the program for which they are intended. Unconditional grants can be spent in any way. In 1989-90, conditional and unconditional grants totalled approximately \$4.5 billion.

The province and local school boards share the cost of funding elementary and secondary education. The province provides General Legislative Grants which totalled \$4.16 billion in 1989-90. In addition, the province has agreed to a four-year commitment of \$300 million annually for school capital beginning in 1989-90. The sum of \$310 million was allocated for 1989-90. School boards raise their share of financing for schools from local property taxes. In addition, the Development Charges Act provides for the additional financing option of establishing lot levies for new school construction. It also facilitates negotiations between school boards and developers regarding innovative financing arrangements, as an alternative to lot levies.



The relations between the provincial and municipal levels of government was addressed by the Association of Municipalities of Ontario (AMO) and the City of Toronto. AMO emphasized the need for a new partnership between the two levels of government, particularly relating to the system of transfer payments. It expressed the frustration that its members felt at what they regarded as the deteriorating relationship between the two levels of government. AMO is concerned, particularly, that provincial programs are being shifted to municipal governments and that the province continues to underfund existing programs and to launch new programs without changing the underlying funding relationship. The City of Toronto called for a new formula for revenue sharing and suggested access to other sources of revenue to facilitate the funding of programs. Moreover, it urged that unconditional grants be raised to traditional levels and that provisions be enacted for catch-up funding to make up for grants foregone during the current fiscal year.

#### Committee's Observations

The Committee was impressed by the call from AMO for a new partnership between the provincial and municipal levels of government during the 1990s, particularly relating to the transfer payments system. It looks forward to the report of the Advisory Committee on Provincial-Municipal Financing Matters that was established recently, and which includes AMO representatives, to provide advice to the Minister of Municipal Affairs on ways of meeting financing pressures faced by both levels of government, including recommendations concerning the transfer payments system.

The Committee concluded that in order to determine the financial impact of the many provincial initiatives that municipalities and school boards are required to implement, Cabinet and Management Board submissions should include a section on the impact on municipalities and school boards.

The Committee therefore recommends that:

5. Cabinet and Management Board submissions should include a section on the impact for municipalities and school boards of provincial initiatives that these levels of government are required to implement.

## SOCIAL ISSUES

### Housing

#### Witnesses' Comments

The Ministry of Housing has indicated that two-thirds of the 3.5 million households in Ontario own their own homes. Some of the remaining households rent by choice. On the other hand, a quarter of a million rental households, representing "core need", have to spend more than 30% of their income on shelter. The lack of affordable housing was identified in the Social Assistance Review Committee (SARC) report, Transitions, as one of the two significant factors in perpetuating poverty (the other being inadequacy of benefits). Less than one in five social assistance recipients live in rent-geared-to-income accommodation: the majority must compete in the private market. Witnesses testified that the lack of low-cost housing remains a large factor in poverty and in preventing persons with disabilities from taking advantage of job opportunities in Metropolitan Toronto. The Minister of Community and Social Services indicated to the Committee that, in addressing some of the housing concerns of the SARC report, the government had instituted a \$119 million improvement to the shelter allowance system.

The Committee heard testimony from several groups seeking continued commitment from the government for the provision of affordable housing. In particular, there were requests for a program similar to the successful Homes Now program that would provide additional units of non-profit housing. (Thirty thousand units were announced under the Homes Now program initiated in 1988; 28,000 have been allocated and will be completed in the next two to three years.) Suggested programs ranged from financing a further 30,000 non-profit units over three years, to 16,000 units of non-profit rental housing per year, or 56,500 units of non-profit housing by 1996 and 75,000 by the end of the decade.



Witnesses discussed ways in which affordable housing could be provided, with arguments being put forward that it could be achieved best through non-profit and co-operative housing. While the acquisition of these units may be expensive in the short run, in the long term they are more likely to remain affordable since there will be no requirement to take out any profit from the increased value of the land or to add on frequent refinancing costs. Increasing the supply of land available for housing is important to help contain the cost, as the land component frequently comprises the majority of the cost of housing. Increased funding to provide legal services for tenants would also help to provide timely advice and service for low-income tenants.

Organizations such as the Affordable Housing Action Committee and the Ontario Non-Profit Housing Association pointed out that low-income single people, single parent families, the elderly and the disabled remain economically vulnerable, since they have low incomes and few housing choices. The recent fire at the Rupert Hotel underscored the need for action in dealing with affordable housing. These groups believe that non-profit housing helps to meet the demand for housing for these people, as well as those for whom the option of freehold home ownership will never become a reality.

Some groups also felt that, given the time lag between acquiring land, passing through regulatory controls and constructing the building, it was imperative to act immediately. The Ontario Non-Profit Housing Association stressed that the opportunity was open now to take advantage of the availability of government lands, the 25% affordable housing policy and the readiness of the non-profit sector to work with the government to deliver housing units. The provision of non-profit housing was becoming more acceptable and sought after: more than 120 municipalities are now involved in such housing programs, double the number from a few years ago.

The Ministry of Housing has a budget of \$560 million in 1989-90, almost 80% of which represents transfers to others, and which accounts for approximately one percent of Ontario's budget. The Affordable Housing Action Group and the Federation of Metro Tenants' Association suggested that the total budget of the Ministry of Housing should be increased over three years to three percent of government spending.

Groups within the housing industry echoed the plea of other witnesses for no new or increased taxes, claiming that such taxes would be counterproductive for the supply of housing. The Committee is therefore appreciative of those groups who suggested ways in which to offset the increased cost of providing housing. Suggestions included re-instituting the Housing Development Fund to use monies from the sale of provincial lands for housing; introducing a land speculation tax; and using a part of the Commercial Concentration Tax for housing initiatives in the Greater Toronto Area.

### Committee's Observations

The Committee was impressed by the number of delegations for whom affordable housing was a key issue. As the supply of land for affordable housing is a major factor in providing this housing, members of the Committee felt that the government should be more active in ensuring that the 25% affordable housing targets are met in areas of rapid urban growth.

The Committee observed that many groups were supportive of the Homes Now program. It agreed that non-profit and co-operative housing were important elements in addressing the issue of affordable housing and it was sympathetic to the view that there should be a continuing flow of these units to the housing market. The Committee felt that it was important to monitor carefully the implementation of the Homes Now program and to put additional programs in place to ensure consistent and continuous delivery of non-profit and co-operative housing.

The Committee therefore unanimously recommends that:

6. **The provincial Homes Now program should be extended to encourage further non-profit and co-operative housing, including giving special attention to the housing needs of singles currently living in rooming houses.**

Furthermore, the Committee also unanimously recommends that:

7. **The government should continue to support housing intensification initiatives and reassert its commitment to use revenues generated from the sale of provincially-owned lands for the support of housing initiatives.**

## Poverty

During the pre-budget consultations in 1989, a large number of groups outlined to the Committee their expertise and experience of poverty in Ontario, and urged the implementation of the reforms to the social assistance system as advocated in the SARC report, Transitions. This report identified the most common recipients of social assistance as being children (40%), sole-support parents (18%) and the disabled (18%), and found that the present system was structured in a way that perpetuated the cycle of poverty rather than facilitated the transition to independence. The recommendations of the SARC report were designed to restructure the social assistance system to promote self-reliance and act as a springboard rather than a net. The reforms were to be implemented in five stages. The Standing Committee on Finance and Economic Affairs was "persuaded of the urgency and necessity of improving Ontario's social assistance system" and unanimously recommended the complete implementation of Stage One. In May 1989 the government announced details of a major social assistance reform package.

### Witnesses' Comments

During the 1990 pre-budget consultations, the Minister of Community and Social Services appeared before the Committee to brief it on the status of these reforms. The first changes had come into effect in October 1989 with the introduction of the Supports to Employment Program (STEP) which removes financial barriers to full-time work for those on social assistance. Other reforms initiated include additional assistance for welfare recipients seeking work, a \$54 million increase in basic allowances for families with children, and funding to make several aspects of the social assistance system simpler and fairer. In January 1990, additional reforms provided for a 6% increase in social assistance rates and a \$119 million improvement to the shelter allowance system. The Ministry has begun to work on merging the Family Benefits Act and the General Welfare Act, and intends to consult widely with the community on these legislative reforms.

Several groups applauded the actions taken to reform the social assistance system but expressed fears that the sense of urgency was dissipating and that the reforms might not be completed. They stressed that it was vital to continue with the reforms outlined in Stage One of the SARC report and to proceed with Stage Two.

It was pointed out that there remained many aspects of poverty, including the presence of hungry and unhealthy children in the schools and the prevalence of food banks. Witnesses such as the Federation of Women Teachers' Association of Ontario and the Affordable Housing Action Group spoke eloquently of the problems of child poverty. They stated that inadequate social assistance and the high cost of housing is reflected in children who are undernourished and poorly clothed, and that children who grow up in poverty are more likely to continue in poverty as adults, either living on welfare or leading less productive lives than they could. The Federation of Women Teachers' Association of Ontario also pointed out that over 60% of poor children are in families led by single women parents and that, among other factors, the provision of adequate and affordable child care is essential to allow these single parents to work or to seek training.

The province was urged to hold consultations with the federal government on a national strategy and to set a high priority on the elimination of poverty. To work towards this goal, it was recommended by groups such as the Ontario SARC Network that benefit rate adequacy should be a major priority in the upcoming budget.

### Committee's Observations

The Committee was sympathetic to the suggestion that the provincial and federal governments should work together to develop a national strategy to reduce poverty. Within Ontario, the Committee was convinced of the importance of continuing the social assistance reforms as outlined in the SARC report, Transitions, as an effective means of working towards this goal. It supports those groups who expect that the government will live up to its commitment and continue to implement Stage One of SARC and work towards Stage Two.



The Committee therefore unanimously recommends that:

8. **The government should continue its implementation of SARC Stage One and actively pursue negotiations with the federal government and all other affected agencies on the implementation of Stage Two.**

The Committee was moved by the descriptions of the impact of poverty on children, and in particular of the effects of hunger. It was supportive of the suggestion that school meals should be provided to those in need, and believes that this would have both economic and social benefits to the children and the province. It believes that the province should immediately begin consultations with school boards to address this issue.

The Committee therefore unanimously recommends that:

9. **The province should actively work with school boards and volunteer groups to co-ordinate and expand nutritional meal programs within the schools.**

Furthermore, the Committee also unanimously recommends that:

10. **The province should work with the federal government on a national child care policy to provide accessible, affordable, quality child care.**

## Disabled Community

### Witnesses' Comments

Members of the disabled community were pleased that the reforms outlined in Transitions were under way, but concerned that these improvements have only just begun to address the problems of the continuing poverty of disabled Ontarians. The links between poverty and disability remain. Evidence was presented that disabled persons are the largest single group among heads of households using food banks in Metro Toronto. The use of food banks as a secondary welfare system for disabled persons also illustrates the inadequacies of the existing social assistance system. The government was urged to continue to implement the recommendations of the Transitions report, and in particular to raise the level of benefits. The Income Maintenance for the Handicapped Co-ordinating Group and Persons United for Self-Help recommended an increase in social assistance levels of 5% above inflation. However, these reforms should not be carried out at the expense of established programs and announced program expansions for the disabled.

The Committee heard from the Centre for Independent Living that there are about 60,000 visually impaired or blind people in the province, the majority of whom are elderly. Visual and communication aids will allow elderly visually impaired or blind people some independence in their daily living and will enable younger people to get an education and to be usefully employed. The Assistive Devices Program provides such aids for children and young adults up to the age of 26, and for those over the age of 65. However, visually impaired adults of working age are excluded from the program. The government has intended to expand the Assistive Devices Program to cover all ages but the expansion is not yet in place. Several groups urged the government to support full implementation of the Assistive Devices Program, which would include removing the age discrimination for the provision of visual aids, and thus promote independence and self-reliance for people with these disabilities. It was pointed out that enabling the disabled to be employed would lead to savings in social assistance payments. Similarly, expanded funding for attendant care and home support services would promote independent living for the disabled and reduce the costs of the institutional care that might be needed otherwise.



### Committee's Observations

The Committee was impressed by the quality of the groups, representing the disabled community, who appeared before the Committee to advocate their position. It believes that many of their concerns will be addressed through the social assistance reforms.

It was evident to the Committee that there was a consistent call to extend the Assistive Devices Program to all age categories, particularly for visual and communication aids. The Committee agreed that extending financial assistance for these devices to people of working age was particularly important to enable them to be meaningfully employed and to live independent lives.

The Committee therefore unanimously recommends that:

11. **The province should investigate the establishment of a bank of assistive devices that could be shared as needed within the disabled community to increase the availability of the Assistive Devices Program for all age groups for all purposes, including facilitating access to employment.**

And further:

12. **The Committee encourages the government to make greater efforts to ensure increased employment opportunities for the disabled.**

### **Health care**

### Witnesses' Comments

Several witnesses commented that health care now accounts for about one-third of the provincial budget and that rising health care costs have become an issue of concern.

The Ontario Chamber of Commerce suggested that efforts to rationalize facilities and improve productivity within the health care system should be given a higher priority. Similarly, Scotiabank suggested that the emphasis should be on the delivery of 'quality' service and getting the largest payback per dollar spent. Several groups believed that an important component in attempting to decrease costs would be to find effective ways to communicate the full costs of health care to the public. For example, a user fee could be charged or alternatively, billings to OHIP could go through the patient. The C.D. Howe Institute suggested that the Ontario Drug Benefit Plan could be restructured so that those who can afford to pay for drugs should do so.

The Ontario Hospital Association (OHA) expressed concern that a service gap was developing in the health care system, with funding pressures causing hospitals to reduce services before alternative preventive and community-based systems are in place. While it is generally supportive of these changes to the health system, the OHA estimates that in order to maintain existing service levels and comply with provincial policies such as the Employer Health Tax, hospitals require an additional \$138 million in operating funds.

The Ontario Public Health Association (OPHA) discussed the concept of "healthy public policy" which is an explicit concern for health and equity in all areas of public policy, not only health. For example, policies relating to child development, the environment, housing or the labour market influence human health. The Association indicated that this concept is integral to the work of the Premier's Council on Health Strategy and suggested that the organizational mechanisms be put in place so that all future ministry submissions to Cabinet should contain some form of health impact statement.

An additional suggestion put forward by the OPHA, as well as a coalition of health and non-smoking organizations, was the use of a sudden rise in the cost of tobacco to effect a reduction in consumption. These organizations suggested tax increases of \$4 per carton of 200 cigarettes and \$5 per 200 grams of fine-cut tobacco. Additionally, there could be a special levy of \$1 per carton of 200 cigarettes, the revenue from which could be used to fund a foundation that would promote community health care.

The Committee heard from the Hockey Development Centre Ontario (HDCO) of the importance of sport for the wellbeing of Ontarians. The HDCO has been working with the government to promote safety in hockey, but argues that its ability to provide safe and sufficient community facilities is constrained by a reduced financial commitment from the government.

### Committee's Observations

In view of the concerns about the costs of health care, the Committee recommends that:

13.       **The province should find effective methods of communicating the full costs of health care to the public.**

And further, the Committee recommends that:

14.       **Efforts to rationalize facilities and improve productivity within the health care system should be given continued priority.**

The Committee was sympathetic to the idea of using the tax mechanism to achieve a public health aim such as reducing the consumption of tobacco. In this particular case, the economic distortions brought about by an increased tobacco tax would be desirable. The Committee also discussed the issue of designating a specified percentage of lottery profits for addiction treatment and rehabilitation.

The Committee therefore recommends that:

15.       **The 1990-91 budget should increase by \$2.00 the tax per carton of 200 cigarettes and by \$2.50 the tax per 200 grams of fine-cut tobacco.**

The Committee also recommends that:

16.       **In consideration of increased taxes on tobacco, tobacco growers should be given additional assistance in converting to alternative crops.**

## INVESTING IN THE FUTURE

With almost half of Ontario's Gross Domestic Product produced as exports, according to the Economic Outlook and Fiscal Review, Ontario's economy is strongly interconnected with the economies of other provinces and countries. This interdependence has been increasing, through factors such as bilateral and multilateral trade agreements (for example, the Canada-U.S. Free Trade Agreement and the Uruguay Round of talks at the GATT), the global strategies of multinational corporations, and the rapid adoption of new technologies. The anticipated completion of a European single market in 1992 and the success of the newly industrializing economies might also increase competitive pressures on Ontario's economy.

One of the principal underlying themes the Committee heard during the pre-budget consultations was for restraint in spending. While the Committee is in general agreement with this sentiment, it nevertheless believes that investment in the province's human and physical resources is essential to maintain and improve Ontario's international position in the future. To be able to adapt to competitive pressures requires, amongst other factors, an educated and well-trained workforce and efficient infrastructure and transportation systems. The Committee heard that capital spending on infrastructure could be an appropriate fiscal policy in the coming slowdown, provided that this spending occurred within the framework of an overall plan for expenditure restraint.

### Education

#### Elementary and Secondary Education

#### Witnesses' Comments

Excellence in education is an important factor in enabling the people of Ontario to develop their full potential, and sufficient funding is a major component in the provision of this education. Several school boards and education groups raised the issue of inadequate funding for education. Of particular concern to them were increasing demands on school boards from mandated programs and from rapid growth in selected areas, the effect of the pooling legislation on public school boards and the mechanism by which the funding levels were established.



The issue of how the provincial grant ceilings were established and whether they were related to adequacy and the true cost of educating students was a key consideration. It was pointed out by witnesses that Recommendation 3 of the recent Third Report of the Select Committee on Education, calling for consultation between the Ministry of Education and its key partners in education to determine a clear method of calculating operating and capital costs of education services, as well as a rational means of updating cost calculations and ceiling and component determinations, was supported by a number of stakeholders who came before the Committee.

### Committee's Observations

The Committee concurred that there was a need to address the basis on which grants were made to school boards. It felt that issues relating to the method of establishing the ceiling should be examined and that a new agreement should be worked out between the province and the school boards.

The Committee therefore endorses Recommendation 3 of the Third Report of the Select Committee on Education as follows:

17. **The Minister of Education should consult with the key partners in education as soon as possible to:**
  - **determine a clear and understandable mode of calculating the cost of providing the education services mandated in the Education Act and identifying the basic components of recognized expenditure; and**
  - **develop a rational means of updating these cost calculations and ceiling determinations.**

The Committee was sensitive to the need for a strategy to address the renewal of Ontario's older schools. It felt that a great proportion of the capital funds is allocated to new schools and that insufficient attention is paid to the renewal of existing schools.

The Committee therefore recommends that:

18. **The Minister of Education, in collaboration with school boards, should develop a comprehensive capital investment strategy for the renewal of Ontario's aging elementary and secondary schools.**

## Post-secondary Education

### Witnesses' Comments

The Committee heard testimony from the university sector on what the latter perceives as the critical state of Ontario's universities. For example, the Ontario Confederation of University Faculty Associations (OCUFA) commented that post-secondary education in the future is likely to be compromised by a severe shortage of faculty, while the Council of Ontario Universities pointed to inadequate equipment, library and building facilities. Such short comings have an impact not only on the personal development of the students and future workers, but also on the ability of universities to achieve excellence in research.

In addition, these groups pointed out that universities must maintain a policy of accessibility as well as cover additional mandated costs such as the Employer Health Tax and pay equity. At the same time, they are dependent on the province for revenue and lack the ability to make up the shortfall between revenue and expenditure through innovative financing. Suggestions were put forward by groups such as the Council of Ontario Universities and the McMaster Students' Union that there should be dialogue between universities, government and students to examine the mandate of universities and to develop means of support by which universities can achieve this mandate. OCUFA suggested for instance, that a faculty growth fund could be created and a study carried out of ways to attract and retain faculty; McMaster Students' Union suggested that operating grants might be replaced by a system of targeted funds such as a research fund, library fund, etc.; and the Council of Ontario Universities suggested that supplementary funding could be provided through an Excellence Fund. The C.D. Howe Institute advocated a system of vouchers to students, with an increase in tuition fees, especially for professional programs where the personal returns are high. McMaster Students' Union disagreed and argued that additional funding for universities should not occur by shifting the burden to students.

### Committee's Observations

The Committee was concerned that there were significant issues worthy of the attention of the Legislature regarding the post-secondary education. It therefore unanimously recommends that:

19. **The Select Committee on Education should examine the issue of post-secondary education in Ontario, including financing and the problem of faculty shortages as a result of retirements.**

### **Labour Adjustment**

#### Witnesses' Concerns

Rapid changes in Ontario's economy are having an impact on the labour market. Responses to international competitive pressures, changing technology, demographic shifts and company relocation within the province are resulting in a growing need for training and retraining of workers. Existing programs provided by the Ministry of Skills Development include the Transitions program for workers over the age of 45, the Basic Skills Program, and the Trades Upgrading Programs, among others. Policies for skills development may be both proactive, providing workers with the skills for the future, and reactive in helping them to adjust to lay-offs. A concerted policy of skills development will be a major factor in helping to ensure that the provincial workforce remains competitive nationally and internationally.

The Ontario Federation of Labour (OFL) expressed concern about the plight of workers who lose wages or benefits as a result of business insolvency. It suggested a number of mechanisms that might be put in place to provide financial compensation to these workers. These mechanisms included an insurance fund to be financed from a payroll tax; compensation to be paid out of the Consolidated Revenue Fund; or allowing affected workers to claim a credit on their provincial income tax that would match the losses they experienced.



The attention of the Committee was also drawn by the OFL to the situation of women who are not covered under the pay equity legislation, in cases where there were no male comparisons, or in small private businesses. The OFL recommended that a special fund be established by the government to help pay the costs of pay equity adjustments in these cases.

### Committee's Observations

The Committee was concerned that some skills development programs were not working as well as they might be. It felt that much of skills training is centered around young people and not for those out of work. The Committee was particularly concerned about the difficulties encountered by older workers in improving or developing the skills needed for re-employment, especially those unable to tap early into pension funds.

The Committee therefore unanimously recommends that:

20. **The government should review the plight of workers under the age of 55 who become unemployed when their employer ceases operations but who may have no access to the existing government training or retraining programs that would enable them to improve their skills or learn new skills.**

### **Research and Development**

#### Witnesses' Concerns

If Ontario's success in the world economy depends in part on its ability to innovate and keep pace with changing demands, it becomes imperative to foster a healthy research and development (R & D) sector. An R & D strategy might require identifying which technologies to import, and focusing on others where it is to Ontario's advantage to develop new and better products. Attention could also be paid to funding institutions that perform basic research, particularly universities.

Canada and Ontario have traditionally spent a relatively low proportion of their Gross Domestic Product on R & D. In 1987, Ontario's spending on R & D was 1.8% of GDP, compared to 2.6% for the U.S., according to the Ministry of Treasury and Economics. Although Ontario performs relatively well in research and development in Canada, it lags behind most competing U.S. states. However, the Ministry believes that the difference in R & D performance between the two countries can be attributed to the level of defence-related R & D in the U.S. If defence is excluded, Ontario spends proportionately as much on R & D as does the U.S. Nevertheless, while Ontario's government and university R & D performance is relatively strong, it is weak in the critical industry sector. This weakness might be the result of the high level of foreign ownership and the relatively small size of the high-tech sector.

The Ontario Natural Gas Association applauds the regional public sector initiatives that have been taken to improve R & D performance but points out that Canada needs a clear and focused national R & D strategy; this national strategy would provide a strong framework for the effective harnessing and co-ordination of federal and provincial efforts.

#### Committee's Observations

The Committee noted that initiatives from the province in recent years, such as setting up a Technology Fund and Centres of Excellence, have partially addressed the need for increased emphasis on R & D. Ontario, together with Quebec, appears to have one of the more generous tax incentives for R & D by industry in North America. The Premier has suggested a national goal of R & D expenditure totalling 2.5 percent of GDP within ten years: Ontario, as the leading province in research and development, would be required to give a major commitment to achieve this national goal. The Committee had sympathy with the suggestion that a national R & D strategy to coordinate federal and provincial efforts might be considered as a means of strengthening this important sector.

The Committee therefore unanimously recommends that:

21. **The province should negotiate with the federal government and the other provinces to establish a national strategy on research and development.**

## Infrastructure

### Witnesses' Comments

The water and sewage infrastructure in Ontario's municipalities is facing pressure from several sources: the development of infrastructure in areas of rapid urban growth; renewal and expansion of existing infrastructure; and upgrading to comply with Municipal Industrial Strategy for Abatement (MISA) requirements for pollution control. Aging or inadequate infrastructure may be a health threat and a deterrent to economic growth, and the lack of pollution controls may damage the environment. Although municipalities can use development charges to provide the necessary infrastructure for new developments, several delegations stressed the importance of improved capital funding to upgrade aging or inadequate infrastructure. The suggestion was made by organizations such as the Urban Development Institute that revenue from the land transfer tax should be directed to a dedicated infrastructure spending program. Alternative revenue measures suggested by the Ontario Home Builders' Association include tax-free municipal bond financing and assessment equalization for dormitory communities.

### Committee's Observations

The Committee was sympathetic to the problems of financing infrastructure renewal and compliance with MISA requirements. It felt that it might be necessary to find innovative ways to approach the funding of infrastructure growth and renewal. For example, the government might examine the use of tax-free bonds or CPP funds, or review the past programs of the Water Resources Commission.

The Committee recommends that:

22. **The Treasurer should be encouraged to place more available pension funds in the Ontario Municipal Improvement Corporation and municipalities should be encouraged to make greater use of these funds.**

The Committee notes that there have been tripartite negotiations between the municipalities, the province and the federal government on cost-sharing arrangements, but that these negotiations have not yet been successful.

The Committee therefore unanimously recommends that:

23. **The province of Ontario should actively pursue the proposed tri-level financial agreement for funding of an infrastructure renewal program.**

## **Transportation and Communications**

### Witnesses' Comments

Testimony was presented by the Canadian Automobile Association (Ontario) that the province's bridges and roads have deteriorated significantly. The problem is being exacerbated by increasing truck loads and past flatlining of provincial subsidies for road and bridge repairs.

The province has committed \$2 billion over five years for a Transportation Capital Program for highways, major roads and transit programs. While this initiative is welcomed, there is some concern that it is not enough either to address the problem of a deteriorating road system or to benefit municipal roads. For example, the City of Toronto called for greater support in the budget for infrastructure and transportation renewal as the city's declining infrastructure is having a negative impact on the quality of life and its economic vitality. The City was particularly concerned with financing additional public transit since the City is approaching gridlock on many of its main streets. It urged the province to gain control of the rail corridors through the city in order to speed up the implementation of rapid transit systems.

The Canadian Automobile Association (Ontario) pointed out that while motor vehicles are a necessity for three-quarters of Ontario's working population who have no alternative means to get to work, the use of motor vehicles is heavily taxed. It was



suggested that trucks, which impose a greater burden on the road system, should make a greater tax contribution. The Association further suggested that the motor vehicle taxes should be treated as user fees and the revenue dedicated to financing the highway system.

The Committee heard from the Ontario Cable Telecommunications Association about the difficulties imposed by the federal and provincial sales tax burden on cable subscribers. Of particular concern was the impact of the cost of small supply cable systems (Part III systems as defined by the CRTC) to subscribers in Northern Ontario.

### Committee's Observations

The Committee felt that it was important to emphasize public transit in urban areas and that building new roads in city centres aggravated rather than relieved the problem of congestion. It concurred that the province should institute consultations with the federal government on the use of rail corridors for public transit.

The Committee therefore unanimously recommends that:

24. **The use of rail corridors for public transit purposes should be explored jointly by municipalities, the province and the federal government.**

Committee members were concerned about the impact that trucks and trailers had on provincial highways and municipal roads, and questioned whether the fees and taxes levied on these commercial users were in proportion to their use. Members of the Committee discussed ways in which the financial contribution by trucks and trailers could be assessed in relation to their impact on the road system. Examples included structuring the trailer licence fee according to the number of axles plus gross trailer weight, or investigating a system used elsewhere that monitors the speed of each truck and bus.

The Committee therefore unanimously recommends that:

25. **The tax contribution of the trucking industry to the construction and maintenance of roads should be reviewed.**

And the Committee also unanimously recommends that:

**26. The government should review its present truck trailer licence fee.**

Further, the Committee recommends that:

**27. The government should study examples of monitoring truck and bus speeds with a view toward implementing systems that electronically monitor their continued speed and rest periods.**

## **Environment and Energy**

### Witnesses' Comments

The environment and its relationship with economic development has become a central issue in many jurisdictions. As well as financial and economic criteria, investment decisions made in the future may have to incorporate an assessment of their long term impact on the environment and sustainable development.

Government policy can play a role in influencing these decisions. The government of Ontario was urged by some groups to encourage the development and use of environmentally friendly technologies through economic incentives and by fostering a climate for environmental research by industry. In addition, the government was encouraged by the Ontario Natural Gas Association to work with the federal and other provincial governments to develop a national strategy on the environment, setting out principles, goals and standards. As environmental degradation does not respect political boundaries, this strategy would include defining the roles and responsibilities of the three levels of government.

Other groups stressed the importance of energy, not only because of its contribution to the economic vitality of the province and the comfort of its citizens, but also because of its impact on the environment.



The Municipal Electric Association argued that since electricity is essential to modern life, taxing it is regressive and hurts the poor and the elderly particularly . It also pointed out that more focused and expeditious public hearings on rate reviews or environmental matters would result in a better balance of the objectives of public participation, environmental protection and value to the taxpayer.

In its comprehensive brief, the Ontario Natural Gas Association (ONGA) addressed, among other topics, the issue of sustainable development. It cited opportunities, including the development of natural gas vehicles and the use of parallel generation of electricity, to make further gains in energy efficiency and conservation and to reduce the negative environmental effects of burning fossil fuels. However, ONGA states that Ontario Hydro's lower-than-warranted buy-back rates are too low to encourage the development of a viable non-utility generation industry.

#### Committee's Observations

The Committee notes that the government, through the creation of the Select Committee on Energy, is examining areas of concern on how the environment is affected by energy. The Committee supports the consideration of these two combined issues by the Select Committee on Energy.

The Committee agreed that parallel generation of energy would be an important contributor to a low-cost, less polluting energy supply. Ontario Hydro uses its average cost of supplying electricity as a basis for the price it will pay to bring electricity generated elsewhere into its grid system. The Committee expressed concern that the method by which Ontario Hydro arrived at its cost provided an unrealistically low comparison, and therefore discouraged parallel generation.

The Committee therefore unanimously recommends that:

28. **The government should explore with Ontario Hydro a costing arrangement which encourages forms of co-generation and parallel generation of electricity.**

The Committee further unanimously recommends that:

29.       **The government should promote, encourage and, where appropriate, mandate the conservation of our energy and resources.**

The Committee supports the use of recycling as one means of promoting conservation and addressing the problem of landfill sites. The Committee notes the success of the Blue Box program in collecting selected materials for recycling but has some concerns about the size of the potential market for these recycled materials.

The Committee recommends that:

30.       **The government should continue to support recycling initiatives, such as the Blue Box, and investigate the feasibility of recycling all packaging materials, including, but not limited to, liquor and wine bottles.**

The Committee also recommends that:

31.       **The government should encourage the business community to use recycled materials.**

And further, the Committee recommends that:

32.       **The government should actively investigate alternative markets for recycled materials.**

## AGRICULTURE

### Witnesses' Comments

The Committee heard testimony from the Ontario Federation of Agriculture (OFA) that provincial expenditure on agriculture had been declining over the last three years and represented a little over one percent of the budget in 1989-90. Two important programs that have been affected are the Ontario Family Farm Interest Rate Reduction Program (OFFIRR), which has ended, and the property tax rebate program, which has changed.

Farming is very capital intensive and the future of farming depends on continued investment in technology in order to be competitive. As farmers are dependent on debt financing for this capital investment, they are vulnerable to interest rate fluctuations. With current high interest rates and a projected drop in net income for Ontario's farmers in 1990, farmers are in need of financial assistance. The OFA suggested that a short term program of interest rate assistance would assist farmers in making the necessary investments to maintain viable farms. In addition, a long term approach to credit policy for farmers is needed.

Farmers have traditionally enjoyed a property tax rebate. Changes in the 1989 budget tightened the eligibility requirements by introducing restrictions on the level of off-farm income. It was argued that ownership and the level of off-farm income were irrelevant to the rebate and there should be complete reform of the property tax system, failing which, Ontario farmers should be given property tax relief with legislative status.

The OFA also addressed the competitive difficulties which the food processors believe they face, but emphasized that any assistance to the food processors should not be at the expense of the farmers. The organization supports the funding of an adjustment package for the Ontario food processing sector.

### Committee's Observations

The Committee was glad to receive comments and recommendations from the agricultural sector. With respect to continuing some form of the OFFIRR program, some members felt that interest rate assistance was not necessarily helpful in the long run, since it discouraged banks from lowering the interest rate. Moreover, the OFFIRR program promoted some inequity among farmers as it was not universally applied. On the other hand, other members believed that the program had been helpful in getting some farmers started in the business and provided needed assistance to others.

The Committee unanimously recommends that:

33. **Government should consider a program, similar to the OFFIRR program, that would demonstrate the government's commitment to help farmers in times of high interest rate crisis.**

The Committee was sympathetic to concerns about the food processing sector, but also conscious of any international repercussions if the government was perceived to be providing subsidies. Assistance should be carefully applied.

The Committee therefore unanimously recommends that:

34. **The existing programs to assist small food processors should be extended.**



## LIST OF RECOMMENDATIONS

The Standing Committee on Finance and Economic Affairs recommends that:

1. Future considerations by the Committee should include travel to communities outside of Toronto; the process should commence annually by early January and be completed by mid-February.\*
2. The provincial budget should present a comprehensive picture of Ontario's economic situation and should include a broad range of social indicators which can be monitored and targeted for progress in future years.\*
3. The levels of government expenditures should be restrained, there should be no major tax increases and efforts should be made to reduce the deficit.
4. Ways of jointly administering the GST and the provincial sales tax should be explored.
5. Cabinet and Management Board submissions should include a section on the impact for municipalities and school boards of provincial initiatives that these levels of government are required to implement.
6. The provincial Homes Now program should be extended to encourage further non-profit and co-operative housing, including giving special attention to the housing needs of singles currently living in rooming houses.\*
7. The government should continue to support housing intensification initiatives and reassert its commitment to use revenues generated from the sale of provincially-owned lands for the support of housing initiatives.\*
8. The government should continue its implementation of SARC Stage One and actively pursue negotiations with the federal government and all other affected agencies on the implementation of Stage Two.\*
9. The province should actively work with school boards and volunteer groups to co-ordinate and expand nutritional meal programs within the schools.\*
10. The province should work with the federal government on a national child care policy to provide accessible, affordable, quality child care.\*
11. The province should investigate the establishment of a bank of assistive devices that could be shared as needed within the disabled community to increase the availability of the Assistive Devices Program for all age groups for all purposes, including facilitating access to employment.\*
12. The Committee encourages the government to make greater efforts to ensure increased employment opportunities for the disabled.
13. The province should find effective methods of communicating the full costs of health care to the public.

14. Efforts to rationalize facilities and improve productivity within the health care system should be given continued priority.
15. The 1990-91 budget should increase by \$2.00 the tax per carton of 200 cigarettes and by \$2.50 the tax per 200 grams of fine-cut tobacco.
16. In consideration of increased taxes on tobacco, tobacco growers should be given additional assistance in converting to alternative crops.
17. The Minister of Education should consult with the key partners in education as soon as possible to:
  - determine a clear and understandable mode of calculating the cost of providing the education services mandated in the Education Act and identifying the basic components of recognized expenditure; and
  - develop a rational means of updating these cost calculations and ceiling determinations.
18. The Minister of Education, in collaboration with school boards, should develop a comprehensive capital investment strategy for the renewal of Ontario's aging elementary and secondary schools.
19. The Select Committee on Education should examine the issue of post-secondary education in Ontario, including financing and the problem of faculty shortages as a result of retirements.\*
20. The government should review the plight of workers under the age of 55 who become unemployed when their employer ceases operations but who may have no access to the existing government training or retraining programs that would enable them to improve their skills or learn new skills.\*
21. The province should negotiate with the federal government and the other provinces to establish a national strategy on research and development.\*
22. The Treasurer should be encouraged to place more available pension funds in the Ontario Municipal Improvement Corporation and municipalities should be encouraged to make greater use of these funds.
23. The province of Ontario should actively pursue the proposed tri-level financial agreement for funding of an infrastructure renewal program.\*
24. The use of rail corridors for public transit purposes should be explored jointly by municipalities, the province and the federal government.\*
25. The tax contribution of the trucking industry to the construction and maintenance of roads should be reviewed.\*
26. The government should review its present truck trailer licence fee.\*
27. The government should study examples of monitoring truck and bus speeds with a view toward implementing systems that electronically monitor their continued speed and rest periods.



28. The government should explore with Ontario Hydro a costing arrangement which encourages forms of co-generation and parallel generation of electricity.\*
29. The government should promote, encourage and, where appropriate, mandate the conservation of our energy and resources.\*
30. The government should continue to support recycling initiatives, such as the Blue Box, and investigate the feasibility of recycling all packaging materials, including, but not limited to, liquor and wine bottles.
31. The government should encourage the business community to use recycled materials.
32. The government should actively investigate alternative markets for recycled materials.
33. Government should consider a program, similar to the OFFIRR program, that would demonstrate the government's commitment to help farmers in times of high interest rate crisis.\*
34. The existing programs to assist small food processors should be extended.\*

\* These recommendations are unanimous.

## **APPENDIX A**

### **The Dissenting Opinion of Mr Karl Morin-Stom and Mr Howard Hampton, New Democratic Party**

## NEW DEMOCRATIC PARTY DISSENT FROM THE FINANCE AND ECONOMIC AFFAIRS COMMITTEE 1990 PRE-BUDGET REPORT

The Ontario government has reacted to predictions of an economic slowdown by dropping its "liberal" pretense and showing its true "conservative" nature. The Liberal government is now spreading the message that 1990 will be a year of financial restraint. The Liberal majority on the finance committee agrees with this conservative philosophy and has recommended a course of restraint.

The New Democratic Party challenges this defence of the status quo by calling on the government to implement the reform policies needed to bring fairness to our society. We also call upon the government to establish policies which will ensure that the economic growth, whether strong or moderate, is compatible with the principles of environmentally sustainable economy.

Ontario is rich in resources, both human and natural. The provincial government is wasting these resources, however, by implementing policies which attack the limited financial resources of low and middle income people and which threaten our ability to have a productive economy that is not destructive to the environment.

The widespread existence of poverty in this province is truly shameful. There are over half a million people in Ontario living on social assistance benefits well below the poverty line. Sadly, 200,000 of these people are children. And in today's Ontario the working poor outnumber poor persons receiving social assistance.

Ontario's inadequate minimum wage is one of the main reasons for the existence of poverty in our province. Working full time at a job that pays the minimum wage of \$5.00 per hour means living well below the poverty line. The situation for minimum wage workers in Ontario is actually getting worse. Between 1975 and 1989 the minimum wage dropped from 47 to 38 per cent of the average industrial wage. Under government policy the life of the minimum wage working person is becoming even more harsh.

The existence of so much poverty in a wealthy society is deplorable. That

the provincial government chooses to attack the poor of Ontario by making them pay provincial income tax is unforgivable. The most recent figures available showed that in 1987 the Treasurer picked the pockets, via the provincial income tax, of 300,000 Ontarians who earned less than \$10,000 per year.

The provincial government acts like Robin Hood in reverse as it takes from the poor and gives to the rich (there are still over a thousand Ontarians who earn over \$50,000 per year and pay no income tax. And there are still many profitable corporations in Ontario which pay no corporate income tax because of a tax system which contains so many corporate tax loopholes).

In the past five years the provincial government has worked hard to make an unfair tax system even more unfair. It has increased the regressive sales tax, forced up regressive property taxes and implemented or increased a whole host of regressive consumption taxes.

This government's decision to increase the retail sales tax from seven per cent to eight per cent takes an extra billion dollars a year out of the pockets of Ontario's consumers. And it is the low and middle income families who are hurt most by this increase since they spend most, if not all, of their money on consumer goods. Wealthy Ontarians can afford to invest some of their money thereby escaping the retail sales tax (these wealthy investors receive additional tax breaks due to the fact that capital gains from their investments are taxed at less than the full rate).

The provincial government has further eroded the ideal of a progressive tax system by systematically forcing up property taxes (which are not based on a person's ability to pay) through underfunding municipal governments and elementary and secondary education. The education and municipal representatives who appeared before the finance committee spoke of the harsh financial situation the province has created for them. This underfunding by the province has forced property tax increases which are double the rate of inflation.

The provincial government has attacked families of modest means through increased consumption taxes. This government has instituted a new commercial concentration tax which, among other things, will tax municipal parking lots where suburban commuters can leave their cars to take public transit into downtown Toronto. This government has



drastically raised vehicle registration fees. And this government has increased the provincial tax on unleaded gas to the detriment of northern and rural Ontarians who don't have access to public transit and must rely on their automobiles.

While the province continues to attack a progressive tax system, the federal government has launched its own assault on tax fairness through its Goods and Services Tax (GST). The Premier has criticized the GST as unfair but the Treasurer has indicated his interest in co-operating with the federal government on implementing the GST. We are incensed by the hypocrisy of this government about the GST and call upon the province to reject any co-operation with the federal government which will make it easier to implement the regressive GST.

While moderate income families are being financially squeezed by an increasingly regressive tax system, they are simultaneously faced with the high cost of shelter.

Home ownership has become an increasingly remote possibility for moderate income families, not only in Toronto but also in most urban centres of the province. Communities such as Bancroft, Belleville, Brantford, Collingwood, Hamilton, Kitchener, Orillia, Oshawa, Owen Sound, Peterborough, Welland, Woodstock and Toronto have all seen the average resale price of a house increase by over 100 per cent from 1985 to 1989. During the same four year period the consumer price index increased by only 18.7 per cent.

The provincial government could have slowed the rate of price increases through implementation of a severe tax on property speculators but the Liberals refused. New Democrats believe a tax on speculators is still necessary.

With many families being unable to purchase their own homes and the rental market becoming more unaffordable because of the government's pro-landlord rent review system, more and more people are in need of assisted rental housing. Over eighty per cent of social assistance recipients currently live in private rental housing, making their shelter situation precarious.

Unfortunately the new Minister of Housing has signalled his intention to

reduce the government's commitment to non-profit and co-operative housing. Such a policy is utter folly not only because of the obvious human need (there are over 41,000 families currently on the Ontario Housing Corporation's waiting lists for assisted housing) but also because of the economic necessity. New investment in employment creating opportunities in Metro Toronto are now jeopardized because the high cost of housing is forcing some of the workforce out of the area.

We call upon the government to ensure that 20,000 units of non-profit and co-operative housing are allocated each year, including funding for converting private sector rooming houses into non-profit housing.

We believe that the province should channel its housing efforts into the non-profit sector. We believe that affordable housing is best achieved through the creation of non-profit and co-operative housing. We also call upon the government to actively assist in the creation of affordable housing by ensuring that none of the lands owned by the provincial government is used for luxury housing.

While the provincial government can do much to help redress the economic imbalances in our society it must also work to redress the environmental imbalances in Ontario as well.

We feel that Ontarians are supportive of the concept of an environmentally sustainable economy. Encouragement of economic growth without safeguarding our environment is a recipe for economic as well as ecological disaster.

The Treasurer's support for the document "Reforming Our Land Use and Development System" is therefore reprehensible. This document, known as "Project X," would effectively undermine much of the environmental protection legislation and policy which currently exist in Ontario. Instead of weakening environmental protections we call upon the Treasurer to strengthen them.

We also call upon the government to promote the re-use of materials by directing the Liquor Control Board of Ontario to implement a bottle deposit system for all domestic liquor and wine bottles, similar to that used for domestic beer and ale bottles. It is more efficient to return bottles for re-use than to recycle, and the provincial government has



neglected taking this important action.

We wish to see the Treasurer unveil his 1990 budget with the two ideas of economic fairness and environmental concern in mind.

A summary of our recommendations follows:

1.) The provincial budget must present a comprehensive picture of Ontario's economic and social situation. The budget must include a broad range of social and economic indicators which can be monitored and targetted for progress including:

- the number of people living below the poverty line, including the number of children
- social assistance caseloads
- social assistance benefit levels expressed in both dollar terms as well as a percentage of the poverty line
- usage of foodbanks
- housing data including the average home prices in selected cities, income required to purchase a home, average rents in selected cities, and waiting lists for assisted housing
- distribution of income and wealth in Ontario
- income distribution by gender
- tax burdens faced by different income groups
- numbers of lay-offs and their success rates at securing comparable re-employment

2.) The government must undertake initiatives which will make Ontario's tax system more fair including:

- the introduction of a net wealth tax

- the elimination of personal income taxes for those persons living below the poverty line
  - the introduction of a minimum Corporate Income Tax
- 3.) The government must refuse to co-operate with the federal government on the implementation of the regressive GST
  - 4.) The government should implement a property speculation tax to signal that housing is a basic right and not a speculative commodity.
  - 5.) The government should allocate financial support for 20,000 non-profit and co-operative homes each year, including providing monies for the conversion of private rooming houses into non-profit housing.
  - 6.) The government should not permit any of its land to be used for luxury housing.
  - 7.) The government should support the concept of an environmentally sustainable economy by rejecting the Treasury department's discussion paper "Reforming Our Land Use and Development System" which would effectively undermine many of the environmental protections which currently exist in Ontario law.
  - 8.) The government should order the Liquor Control Board of Ontario to institute a bottle deposit system for all domestic liquor and wine.

Karl Morin-Strom, MPP  
Sault Ste. Marie

Howard Hampton, MPP  
Rainy River

## **APPENDIX B**

**The Dissenting Opinion of Mr. Allan McLean and  
Mr. Sam Cureatz. Progressive Conservative Party**

MINORITY OPINION PROGRESSIVE CONSERVATIVE CAUCUS

1990 PRE-BUDGET CONSULTATION

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

## LIST OF RECOMMENDATIONS

- + *We recommend that in its 1990 budget the government of Ontario abandon its tax and spend policies and adopt a more disciplined approach to fiscal management.*
- + *In the 1990-91 fiscal year we recommend that the government:*
  1. *balance the budget,*
  2. *not increase the tax burden on Ontario residents, and*
  3. *finance priority programs and any new initiatives through reallocation of revenues available from the current revenue base.*
- + *We recommend that the government identify and quantify the full cost increases that its initiatives impose on the economy and that any new tax increases be accompanied by a full explanation of the choice of this taxation vehicle, an assessment of its full economic costs, and alternatives available.*
- + *We recommend, in conjunction with recommendation #5 in the majority report, that Ministries be required to consult with AMO and with appropriate education representatives on the impact on the municipal sector and education system of any new program, policy or revision to a program or policy.*
- + *We recommend that while the Advisory Committee on Provincial-Municipal Financing Matters is doing its work, and the government is reviewing the Select Committee on Education's recommendations, the province should place a moratorium on the implementation of any new policies or programs which would either offload provincial responsibilities onto municipal councils or download the cost of financing provincial initiatives onto the property tax base.*
- + *We recommend that the government of Ontario encourage the federal government to convene a special First Ministers meeting to determine if agreement can be reached on a federal retail sales tax, to be administered jointly with the provincial sales tax systems, to replace the federal manufacturers' tax.*
- + *We recommend that the Premier of Ontario support publicly comments made by his Treasurer and state as government*



policy that the province of Ontario accepts the principle of a joint federal/provincial sales tax.

- We recommend that the government of Ontario encourage the government of Canada to establish a federal-provincial-municipal Tripartite Commission on Fiscal Policy and Taxation in Canada with a mandate to examine the existing tax structure and relationships among all three levels of government and to make recommendations for changes which would ensure fairness for the taxpayer, guarantee that each level of government would have access to the financial resources required to discharge its responsibilities and which would assure our tax system enhanced our ability to compete internationally.
- We recommend that if the government decides to use the tax system to aggressively discourage the consumption of tobacco that a portion of the tobacco tax revenues equal to, at minimum, ten cents per pack of cigarettes sold, be dedicated to finance a buy-out program for tobacco farmers, training and retraining programs for workers displaced in the tobacco processing industry and to support an economic stabilization fund for communities whose economies suffer as a consequence of a decrease in tobacco consumption.
- We recommend that the government ensure that the a service gap is not created in the health care system through the "rationalization of facilities" by putting alternative support systems or programs in place in the community before "rationalizing" a facility.
- We recommend that as a first step toward improving productivity in the health care system the government make a good faith effort to improve its relations with medical and health care professionals.



## INTRODUCTION

We are submitting this minority opinion to express our disagreement with some of the recommendations of the majority report and our reservations and comments with regard to a number of others.

Our primary objective is to impress upon the government the need for it to restructure its fiscal policy in response to emerging new economic realities.

- It is our conviction that current economic conditions and projections make it inappropriate, if not dangerous, for the government to continue with the tax-driven fiscal policy it has pursued with a vengeance since 1985.*

Since the current administration took office its fiscal policy has exploited economic expansion but has done nothing to sustain it.

We are concerned that the continuation of a "tax and spend" fiscal policy will reinforce the factors slowing growth and job creation and potentially could transform the "soft landing" of a transition to more "sustainable" growth rates into the "hard landing" of a recession.

Given the economic outlook for the province and the advice of a number of the deputations to the Committee, we have concluded that in order to minimize the risk of recession and to encourage a quick return to a vigorous expansion, that common sense dictates, and the public interest demands, a more disciplined fiscal policy.

- A more disciplined fiscal policy would include no further increase in the tax burden for Ontario residents, and rigorous expenditure controls to produce a balanced budget in the next fiscal year.*

The case for a more disciplined fiscal policy, and of the responsibility of the government to adopt one, can be summarized by an overview of some of the compelling arguments made to the Committee.

We cite the following in particular.

- The Ontario Government, through its actions and activities, has been a major part of the inflationary pressures that have led to the current economic slowdown. Having created the problem, this government must be part of the solution.*

### Ontario Chamber of Commerce

- Growth in the provincial economy is slowing, as a transition to a slower, more sustainable rate of expansion takes place. There is a distinct possibility this descent to a so-called*

"soft landing" could accelerate into a hard landing and produce an economic recession.

#### Ontario Natural Gas Association

- ... if substantial tax increases and exceptional economic growth are not sufficient to produce a balanced budget, then some questions about the level of expenditures is in order.

T.B.G. Whitehead, Regional Economist  
Canadian Imperial Bank of Commerce

- To ensure continued prosperity, Ontario policymakers must adopt a more prudent spending agenda and refrain from tax increases. A coordinated streamlining of existing programs is needed to make room for new requirements. The focus must be on spending cuts. Attempts to pay for new programs and offset a softer revenue trend with tax increases will be self-defeating. Such action will simply encourage the relocation of activity beyond provincial borders.

William Jestin, V.P.-Chief Economist  
Philip Howell, Senior Economist  
Scotiabank.

Again this year our thanks to all those who appeared before the Committee and gave us the benefit of their knowledge, insights and experience and, of course, to the Committee staff for their competence and patience.

#### THE NEED FOR A NEW APPROACH

In our view the majority report does not adequately emphasize the fact that the government's own economic and fiscal projections underline the need for it to adopt a radically different approach in its management of the province's finances.

The economic forecast in Treasury's November, 1989, Economic Outlook and Fiscal Review predicts that the province will experience considerably slower economic growth, reduced job creation and higher unemployment rates.

While a number of submissions to the Committee differed in the details, their projections, as noted in the majority report, paint a similar, though in some cases, bleaker picture.

While economic forecasting is a problematic business at best - an occupational hazard illustrated by the comment of one American economist that he had successfully predicted ten of the past three recessions - the differences in projections reviewed in the majority report should alert the government to the high degree of

uncertainty in and about the economy which in itself would recommend the adoption of a cautious fiscal policy.

Complicating the picture is uncertainty about the impact of the Goods and Services Tax [GST] on the economy and on the public finances.

While there may be some disagreement as to its severity there is a consensus that the provincial economy is in a slowdown, and that growth will be well below the annual average rate of 5.5% experienced over the 1985 to 1988 period.

→ *Given the current climate a fiscal policy which would:*

- 1. minimize the possibility of a recession,*
- 2. stabilize the government's fiscal position to give it the flexibility to respond positively to a recession should one occur, and*
- 3. position the province for a return to more robust growth is advisable. In our opinion the "tax and spend" policy of the Liberal government of Ontario will not achieve any of these objectives and should be abandoned.*

It is no overstatement to say that since 1985 fiscal policy in this province has been tax-driven. Three of the last five budgets have imposed substantial tax increases on the people of the province.

The government has imposed no fewer than 32 new taxes or tax and fee increases since 1985 and as a result Ontario, according to the C.D. Howe Institute, has the second highest rate of tax per capita in the country, ranking only behind Quebec in terms of the size of the tax burden levied on its citizens. [The Institute's submission notes that the calculation does not take into account the additional tax transfer points to Quebec "which bias the calculation upward for that province."]

As noted in the Scotiabank [BNS] submission, over the past five years tax revenues have risen at an average annual rate of nearly 15%, and we note that in the current fiscal year the government will collect about twice as much in taxes as were collected in 1984-85.

Massive tax grabs combined with sustained strong economic growth enabled the government to increase spending at an average annual rate of 9.3%, about double the average inflation rate over that period, while drawing down the deficit and the debt, though the latter only when measured in relation to the GDP.



However, as the C.D. Howe Institute rather gently put it in its submission, "The reduction of the deficit, debt and expenditures as a percent of GDP is more the result of the stellar performance of the denominator of those ratios than of the numerators. A recession or slowdown will reveal the fragility of these achievements."

In other words, the government has relied on tax increases and economic growth as opposed to expenditure controls to maintain fiscal stability and as such its position is very vulnerable to any slowdown in the economy.

In pursuing this policy the government has expanded the expenditure base to the point where it can only be sustained, in the absence of an economic boom, through further tax increases or through an increase in the deficit.

This scenario is borne out by the government's own projections.

Treasury projects, on the basis of its economic forecast, assuming no change in revenue policy and assuming that total revenues will increase at about 90% of the GDP growth rate and expenditures at an annual average rate of 8.7%, that the provincial deficit would grow from \$0.6 billion, [about 0.2% of GDP], in the current fiscal year to \$2.4 billion [about 0.7% of projected GDP], in 1992-93.

As the Ontario Natural Gas Association [ONGA] commented, "This result implies that to maintain the current deficit level would require some combination of a lower than projected expenditure growth rate and/or tax increases. Tax increases would have to be substantial, the equivalent of an increase in the retail sales tax rate from 8 to 10 per cent."

Alternatively the government might opt not to maintain current deficit levels and allow the deficit to rise as projected.

In our opinion neither tax increases, a rising deficit nor a growing debt are in the best interest of the province. Taxes and deficits absorb savings and reduce the pool of money available to both individuals and companies for consumer spending and investment.

Given the economic projections, a fiscal policy which hobbles consumers and investors through higher taxes or higher deficits would simply worsen the slowdown and postpone a return to more vigorous growth.

In particular we believe it is imperative that the government avoid another instalment in what the Ontario Chamber of Commerce described as "a continuous parade of tax increases" launched by this government in its struggle to keep its "revenue increases within sight of its spending increases."

Like the C.D. Howe Institute we want this government to develop and implement a policy which will result in "no further increases in the tax burden for Ontario residents".

- *We recommend that in its 1990 budget the government of Ontario abandon its "tax and spend" policies and adopt a more disciplined approach to fiscal management.*

#### A MORE DISCIPLINED FISCAL POLICY

Given the government's record on taxation we were surprised that the majority of the Committee was willing to recommend only that "there should be no major tax increases" [Committee recommendation #3].

It is unclear if this recommendation should be taken as a prohibition against subjecting the taxpayer to a death by a thousand cuts through a series of "minor" tax increases which amount to a "major" amount of money for the government.

In any case, we must question the need for the government to increase its taxes at all.

Information provided in the ONGA submission based on Treasury's fiscal projections indicates that in the 1990-91 fiscal year government revenues will be \$44 billion, an increase of \$3.3 billion or 8.1% relative to the estimated revenues for the current fiscal year used in the projection.

Using the government's fiscal projection we estimate that an increase in revenues of that magnitude would allow the government to finance an across-the-board inflationary increase of 5.3% in total budgetary expenditures and still have between half a billion and six hundred million dollars to spend on either priority programs or new initiatives.

The government could then balance its budget and increase its total expenditures by about 6.5% without raising taxes.

Expenditure control, not another round of tax increases, is the key to a more disciplined fiscal policy and this will require a reversal in the erosion in spending restraint we have witnessed since 1985.

The recently released third quarter financial update for the current fiscal year indicates that the government will again exceed its budget spending plan, as it has every year since taking office.

In fact, if the most recent projection holds, by the end of this fiscal year the government will have spent \$3.2 billion more than provided for under its budget plans since 1985.

A slow growth economy will not accommodate a continuation of this practice of over-spending.

In the current economic environment, as stated in the C.D. Howe Institute submission, "The government needs to order clearly all program priorities in order to address the problems of too many competing demands for inadequate resources. These priorities should be made public in the Budget presentation and rigidly adhered to in achieving the expenditure goals. The goals of each program need to be spelled out and where the program no longer fills the goal or where the goal has become obsolete, the program should be cancelled. Where the private sector is able to deliver a service, the government should not be competing with it."

Such an approach could be a major component of an expenditure control strategy to achieve what the BNS submission called a "coordinated streamlining of existing programs" which would permit the financing of new initiatives through the re-allocation of existing resources without increasing taxes or the deficit.

In our 1988 minority opinion on the pre-budget consultation we called for a broad review of expenditures, for the more aggressive use of sunset provisions and for a commitment to a fiscal plan to balance the budget by the 1989-90 fiscal year.

Now, two years later and under less favourable economic circumstance, we believe that the government has little choice other than to move in those directions.

→ *In the 1990-91 fiscal year we recommend that the government:*

- 1. balance the budget,*
- 2. not increase the tax burden on Ontario residents, and*
- 3. finance priority programs and any new initiatives through reallocation of revenues available from the current revenue base.*

## **ASSESSING THE ECONOMIC IMPACT OF GOVERNMENT POLICIES**

Provincial government policies, including tax policies and quality of life policies, can impose new costs on the private sector, other governments and transfer payment recipients, costs which can in turn impact on the inflation rate, job creation, profitability and the quality of service delivered.

The majority report addresses this issue with regard to transfer payment recipients, specifically municipalities and school boards where it recommends that the impact of provincial policies and programs on these agencies be considered as part of the decision making process.



We think that this practice should be more broadly applied.

The last budget provided a number of examples of how government policy decisions result in new direct and indirect costs, and of how far-too-often insufficient information is provided on those costs and their implications.

For instance, neither in the Budget nor afterwards did the government provide a comprehensive assessment of the economic impact of its decision to finance the elimination of OHIP premiums by a tax on jobs - the Employer Health Tax [EHT].

The government may well be satisfied that this new tax will not impair job creation, will not reduce wage increases, will not hinder efforts to improve our competitive position, will not create a disincentive for businesses to locate or expand in Ontario or reduce incentives to control health care costs.

It would be a comfort, however, to see something which would assure us that the government's complacency on these points was based on something more than wishful thinking and that the decision to impose this new tax was informed by something other than a "fire then aim" attitude.

It is critical that the government demonstrate an understanding that its policy decisions, whether they be to implement a pay equity law or to increase the retail sales tax, have an impact which extends beyond a headline or a changed digit on the revenue side of the ledger.

We were impressed by the comments of the Ontario Chamber of Commerce on this issue and therefor:

- *We recommend that the government identify and quantify the full cost increases that its initiatives impose on the economy and that any new tax increases be accompanied by a full explanation of the choice of this taxation vehicle, an assessment of its full economic costs, and alternatives available.*

## **MUNICIPALITIES AND SCHOOL BOARDS**

Ontario municipalities and school boards have experienced first hand how provincial government taxes and policy decisions can increase costs.

While provincial programs like MISA, new taxes like the EHT and provincial policy decisions dealing with matters like court security and Sunday shopping work to increase municipal costs and responsibilities, other government initiatives have limited the financial resources available to municipal governments. For example, the Association of Municipalities brief to the Committee described the 1989 budget as "an unprecedented assault on the

municipal revenue base."

As for the school boards, the Ontario Secondary School Teachers' Federation told the Committee that in 1989, \$350 million in approved costs were downloaded to the property tax base.

The Committee's recommendation #5 may help address the problems caused by the provincial practices of offloading and downloading by making the province more sensitive to the costs these impose on municipalities and school boards. However, in our opinion, the recommendation does not go far enough.

The majority on the Committee did not support AMO's suggestion that the provincial government be required to consult with AMO on the impact on municipalities of any new provincial programs, policies or changes to existing programs.

While the government may not want to be burdened by the facts we believe that its policy making process would likely benefit from municipal input, therefor:

- + *We recommend, in conjunction with recommendation #5 in the majority report, that Ministries be required to consult with AMO and with appropriate education representatives on the impact on the municipal sector and education system of any new program, policy or revision to a program or policy.*

The majority report notes that an Advisory Committee on Provincial-Municipal Financing Matters has been established to advise the Minister of Municipal Affairs on ways of meeting financing pressures.

In addition the government has before it for its consideration the recommendations and findings of the Third Report of the Select Committee on Education whose recommendation on the grant ceiling has been endorsed by this Committee.

- + *We recommend that while the Advisory Committee on Provincial-Municipal Financing Matters is doing its work, and the government is reviewing the Select Committee on Education's recommendations, the province should place a moratorium on the implementation of any new policies or programs which would either offload provincial responsibilities onto municipal councils or download the cost of financing provincial initiatives onto the property tax base.*

Also, we have a number of reservations with regard to the recommendation #23 in the majority report which encourages the Treasurer "to place more available pension funds in the Ontario Municipal Improvement Corporation and municipalities should be encouraged to make greater use of these funds."

This recommendation simply follows on a policy direction

instituted in the last budget and both appear to us to be based on the assumption that municipalities are in a better position to assume and service debt than the province, and should therefore borrow more.

It must be mentioned that AMO has rejected the conclusion, central to the government's argument, that the financial position of municipalities has improved over the last decade and has challenged the provincial government's "arbitrary notion of debt capacity for the municipal sector."

The AMO brief to the Committee also pointed out the inconsistency inherent in the 1989 budget in which the provincial government praised its own "pay-as-you-go" strategy "while stating that municipalities should increase their long-term borrowing."

The bottom line for the municipalities is that they believe that additional borrowing would threaten them with financial instability.

In our opinion it is unfair for the province to take any measures which would force municipalities to borrow more when provincial offloading has increased municipal costs without any corresponding funding offsets.

#### **FEDERAL-PROVINCIAL MATTERS**

The Committee has recommended federal-provincial negotiations on a number of issues and programs -- a national child care policy [recommendation #10], a national strategy on research and development [recommendation #21], an infrastructure renewal program [recommendation #23] and the use of rail corridors for public transit purposes [recommendation #24].

While we have endorsed these recommendations in the belief that co-operative cost-shared programs in these fields are in the public interest, we do not want the provincial government to assume that it is thereby relieved of the responsibility of taking the initiative in these policy fields in its own jurisdiction.

We were encouraged by the Committee's advice on the Goods and Services Tax. The recommendation that "Ways of jointly administering the GST and the provincial sales tax should be explored" stands in marked contrast to the irrational bellicosity which has often characterized pronouncements on the GST issue by senior members of the present government.

Again, however, we find that the Committee has not gone far enough in its advice to the government.

Our response to the GST was detailed in a publication released by our Caucus on November 21, 1989 and while we will revisit the arguments advanced in that paper we remain convinced that "the



evidence in support of the replacement of the federal manufacturers' is real and compelling" and that "the federal government and the ten provinces must return to the negotiating table to develop an agreement on a federal retail sales tax which would share with the provincial retail sales taxes a common base, co-ordinated rates and a common collection agency."

We believe that the government of Ontario can play a lead role in the development, design and implementation of a tax regime more efficient and more fair than either the current manufacturers' sales tax or the proposed GST.

We accept that it will take a measure of political courage on the part of the Ontario government to spearhead this effort but are convinced that the benefits to both consumers and businesses justify the risks.

- *We recommend that the government of Ontario encourage the federal government to convene a special First Ministers meeting to determine if agreement can be reached on a federal retail sales tax, to be administered jointly with the provincial sales tax systems, to replace the federal manufacturers' tax.*
- *We recommend that the Premier of Ontario support publicly comments made by his Treasurer and state as government policy that the province of Ontario accepts the principle of a joint federal/provincial sales tax.*

Growing concern at the municipal level about provincial offloading, persistent complaints from the provinces about federal offloading and the need to develop a tax system which will help this country meet the competitive challenges of the nineties have strengthened our conviction that a major review of the the fiscal and financial arrangements and relationships among all levels of government is required.

The establishment of the Advisory Committee on Provincial-Municipal Financing Matters indicates that the province recognizes a need to review its financing arrangements with the municipalities.

Our Caucus believes, as we stated in our November response to the GST, that a similar effort is required at the national level involving all three level of government.

- *We recommend that the government of Ontario encourage the government of Canada to establish a federal-provincial-municipal Tripartite Commission on Fiscal Policy and Taxation in Canada with a mandate to examine the existing tax structure and relationships among all three levels of government and to make recommendations for changes which would ensure fairness for the taxpayer, guarantee that each level of government would have access to the financial*

*resources required to discharge its responsibilities and which would assure our tax system enhanced our ability to compete internationally.*

## HEALTH CARE

The Committee's findings and recommendations with regard to the tobacco tax require some comment.

In its Observations on this issue the Committee states that "In this particular case, the economic distortions brought about by an increased tobacco tax would be desirable."

While the desirability of these "economic distortions" from a public health perspective is unquestioned, their impact would not likely be considered desirable by tobacco farmers or by people who make their living in tobacco processing and manufacture or by the communities which depend on the tobacco industry for their economic survival.

In our opinion, the Committee's solution to the negative impact of a tobacco tax increase on the people who make their living in the industry - that in exchange for increased taxes on tobacco "tobacco growers should be given increased assistance in converting to alternative crops" [recommendation #14] - is inadequate.

If the government decides as a matter of policy to use the tax system to aggressively discourage the consumption of tobacco then in all fairness to the farmers and people who work in processing it must be equally aggressive in providing meaningful effective assistance.

The government's record in this regard, as exemplified by its past performance in the Redux program, the FIT program and the current major initiative the Tobacco Assistance Program, TAP, which is almost exhausted, leaves much to be desired.

Fairness dictates that if the government intentionally uses the tax system to drive people out of business then it should be prepared to provide fair compensation.

Clearly, current programs are inadequate to meet the need for assistance which would be created by the impact of another tax increase on the tobacco growers and industry.

For instances, of the approximately 1,200 remaining tobacco farmers in Ontario, half are on waiting lists for government assistance programs. Another tax hike will add to the numbers of farmers seeking aid.

- *We recommend that if the government decides to use the tax system to aggressively discourage the consumption of tobacco that a portion of the tobacco tax revenues equal to, at minimum, ten cents per pack of cigarettes sold, be dedicated to finance a buy-out program for tobacco farmers, training and retraining programs for workers displaced in the tobacco processing industry and an economic stabilization fund for communities whose economies suffer as a consequence of a decrease in tobacco consumption.*

If implemented, we estimate that at current consumption levels this proposal would provide \$70 million annually for buy-out, transition assistance and training programs.

We must also express some concerns about recommendation #16 in the Committee's report which states that "Efforts to rationalize facilities and improve productivity within the health care system should be given continued priority."

The term "rationalize facilities" is extremely open-ended and could mean anything from consolidating services to closing hospital beds.

Recently we've seen the government "rationalize" its failure to keep its commitment to finance 4,400 additional hospital beds in Ontario by simply proclaiming that hospital beds are no longer the "benchmark" of health care.

When the government made that commitment the then Minister of Health said that the action was being taken "in order to bring Ontario's hospital system into line with the needs of our population up to the late 1990s."

Particular mention was made of the need to plan for the impact of demographic changes, and especially a 53% increase in the size of the elderly population, on Ontario hospitals.

To the best of our knowledge the factors which led the government to commit to 4,400 new beds have not changed and the need for long-term planning remains; the only thing which has changed is the government's mind.

Rationalization of facilities conducted along these lines is likely to produce what the Ontario Hospital Association [OHA] has called the "service gap"

This service gap is created, according to the OHA, when funding pressures cause hospitals "to reduce patient services before alternative support systems are available in the community."

As the OHA stressed "reorientation of the health care system towards illness prevention and in-home care cannot be accomplished simply by reducing hospitals' ability to meet health care needs."



- *We recommend that the government ensure that the a service gap is not created in the health care system through the "rationalization of facilities" by putting alternative support systems or programs in place in the community before "rationalizing" a facility.*

We have one comment regarding the recommendation that efforts to improve productivity within the health care system should be continued.

Productivity improvements which maintain access to quality health care will only be achieved in partnership with Ontario's medical and health care professionals.

The President of the Ontario Medical Association has recently stated that relations between the government and the medical profession are at an all-time low, hardly the basis for a solid constructive partnership.

If productivity is to be improved, then relations between the government and health care providers will have to be improved first.

- *We recommend that as a first step toward improving productivity in the health care system the government make a good faith effort to improve its relations with medical and health care professionals.*

## **AGRICULTURE**

We welcome the Committee's recommendation #33 that "Government should consider a program, similar to the OFFIR program, that would demonstrate the government's commitment to help farmers in times of high interest rate crisis."

Because real interest rates have been higher recently than when the OFFIR program was first established, our Caucus has advocated the reintroduction of an interest rate assistance program.

The Ontario Federation of Agriculture [OFA] acknowledges that ad hoc programs are not ideal but do provide short-term relief.

We trust that a government which can afford to provide automobile insurance companies with over \$140 million in tax breaks annually will be able to find some funds for Ontario's farmers.

**APPENDIX C**  
**Terms of Reference**

**Terms of Reference of the  
Standing Committee on  
Finance and Economic Affairs**

Standing Order 104(f):

"Standing Committee on Finance and Economic Affairs which is empowered to consider and report to the House its observations, opinions and recommendations on the fiscal and economic policies of the Province and to which all related documents shall be deemed to have been referred immediately when the said documents are tabled."

## APPENDIX D

### List of Witnesses

## **APPENDIX D**

### **LIST OF WITNESSES**

#### **From the Ministry of Treasury and Economics**

Robert Christie, Assistant Deputy Minister, Office of Economic Policy  
Tom Sweeting, Director, Taxation Policy Branch  
Robert Watson, Director, Finance Operations Branch  
Kevin Costante, Assistant Director, Fiscal Framework and Expenditure Forecasting  
Tony Salerno, Acting Assistant Deputy Minister, Office of the Budget  
John Whitehead, Economist, Personal and Commodity Taxes

#### **From the Ontario Confederation of University Faculty Associations**

Bill Graham, Professor

#### **Individual Presentation**

Norm Gurr, Councillor, Town of Southampton

#### **From the York Region Board of Education**

Harry Bowes, Chairman  
Joanna French, Chairman of Finance, Facilities and Organization Committee  
Jack Webber, Superintendent of Business

#### **From the Income Maintenance for the Handicapped Co-ordinating Group (ARCH)**

Christopher Watts, Chair  
John Southern  
Francine Arsenault  
Harry Beatty, Legal Counsel

#### **From C.D. Howe Institute**

Irene Ip, Senior Policy Analyst

### **Individual Presentation**

**Ed Kolodzie, Private Citizen**

### **From the Affordable Housing Action Group**

**Abby Pollonetsky, Coordinator**  
**Peter Dewdney, Housing Advocate**  
**David Thornley, Program Director**

### **From the Co-operative Housing Association of Ontario**

**Tom Clement, President**  
**Dale Reagan, Executive Director**

### **From the Municipal Electric Association**

**Carl Anderson, Chairman**  
**I.H. Jennings, Chief Executive Officer**

### **From the Hockey Development Centre for Ontario**

**Barrie Davis, President, Ottawa District Minor Hockey Association**  
**John Gardner, President, Metropolitan Toronto Hockey League**

### **From the Toronto Home Builders' Association**

**Chris Mullin, President**  
**David Keenan, First Vice-President**

### **From Blind Ontarians Organized with Self-Help Tactics**

**Eric Schryer, Co-ordinator**  
**John Southern, Community Outreach Worker**

### **From the Ontario Real Estate Association**

**Moira Schiedel, First Vice-President**  
**Jim Flood, Director, Government Relations**  
**Kevan O'Connor, Chairman, Political Affairs Committee**  
**Tom Bosley, Vice-President**



**From the Ontario Federation of Labour**

Gordon Wilson, President  
John O'Grady, Director of Research  
Carole-Anne Sceviour, Human Rights Director

**From Wharton Econometric Forecasting Associates**

Ernie Stokes, Director, Canadian Services

**From the Ontario Chamber of Commerce**

Linda Matthews, President  
Don Eastman, Chair, Economic Policy Committee  
Art Smithard, Member of Economic Policy Committee

**From the Ontario Federation of Agriculture**

Brigid Pyke, President

**From the Ontario Non-Profit Housing Association**

Debbie Kraus, Executive Director  
Roger Maloney, Vice-President, Director of Operations, Peel Non-Profit Housing  
Sybil Frenette, Director and Co-Chair, Land and Development Committee  
Bill Bosworth, Co-Chair, Land and Development Committee  
Executive Officer, Homes First Society

**From DRI/McGraw Hill**

George Vasic, Director of Economics

**From the Council of Ontario Universities**

Terence Grier, President, Ryerson Polytechnical Institute  
Grant Clarke, Deputy to the Executive Director  
Edward DesRosiers, Director of Research

**From the Association of Municipalities of Ontario**

Grant Hopcroft, Alderman, City of London and President, AMO  
David Hipgrave, Director, Management Services, Metro Toronto, and  
Chair, AMO Fiscal Policy Committee  
Ron Eddy, Reeve, Township of South Dumfries and Chair, Fiscal  
Policy Committee, AMO

**From the Bank of Nova Scotia**

Warren Jestin, Vice-President, Chief Economist

**From the Ontario Secondary School Teachers' Federation**

Doris St. Amand, Vice-President  
James Livermore, Executive Officer  
John McEwen, Chair, Education Finance Committee

**From the March of Dimes**

Randall Pearce, Director, Corporate and Public Affairs

**From the Canadian Imperial Bank of Commerce**

Tim Whitehead, Regional Economist

**From the Toronto Board of Education**

Antonio Silipo, Chair  
Pam McConnell, Vice-Chair  
Anne Vanstone, Chair, Education Finance Committee

**From the Ontario Hospital Association**

Gordon Cunningham, President  
Duncan McAlpine, Chairman

**From the Federation of Women Teachers' Associations of Ontario**

Kay Sigurjonsson, Deputy Executive Director  
Marilyn Roycroft, Executive Assistant

**From CAA (Ontario)**

Leo Laviolette, Vice-President, Public and Government Affairs

**From the Ministry of Community and Social Services**

The Honourable Charles Beer, Minister  
Mark Woollard, Manager, Policy Development Section

**From the Ministry of Housing**

Walt Elliot, Parliamentary Assistant  
Glenn Thompson, Deputy Minister  
Tim Casey, Assistant Deputy Minister, Social Housing Wing  
Sue Corke, Director, Partnerships and Coalitions

**From the Centre for Independent Living in Toronto Inc**

Susan Forster, Literacy Link Co-ordinator  
Scott Seiler, Peer Advocate Worker

**From the Ontario Public School Boards' Association**

Ruth Lafarga, President  
Penny Moss, Executive Director

**From the Ontario Cable Telecommunications Association**

Walter Weckers, President  
Gaston Germain, Chief Executive Officer, Northern Cable  
Holdings Ltd.  
Andy Gubbels, Director, Northern Zone

**From the Federation of Metro Tenants**

Michael Melling, Chairperson

**From the City of Toronto**

Art Eggleton, Mayor  
John Woods, Director, Taxation and Water Review

**From the Ontario Natural Gas Association**

Paul Pinnington, President

James R. Anderson, Vice-President, Finance, Union Gas Limited

**From the Durham Board of Education**

Ian Brown, Chairperson

**From the McMaster Student Union**

Stephen Longo, President

Bryan Leblanc, Researcher

**From Persons United for Self-Help in Ontario**

Richard Santos, Provincial Co-ordinator



De l'Ontario Cable Telecommunications Association

Walter Weckers, président  
Gaston Germain, directeur général, Northern Cable Holdings Ltd.  
Andy Gubbels, directeur, zone nord

De la Federation of Metro Tenants

Michael Melling, président

De la ville de Toronto

Art Eggleton, maire  
John Woods, directeur des études sur les impôts et l'eau

De l'Ontario Natural Gas Association

Paul Pinnington, président  
James R. Anderson, vice-président, Finances, Union Gas Limited

Du Conseil de l'Éducation de Durham

Ian Brown, président

De l'Association des étudiants de l'Université McMaster

Stephen Long, président  
Bryan Leblanc, chercheur

De PUSH-Ontario

Richard Santos, coordonnateur provincial



De la Banque Canadienne Impériale de Commerce

Tim Whitehead, économiste régional

Du conseil de l'éducation de Toronto

Antonio Sillipo, président

Pam McConnell, vice-présidente

Anne Vanstone, présidente, comité des finances de l'éducation

De l'Ontario Hospital Association

Gordon Cunningham, président

Duncan McAlpine, président du conseil

De la Fédération of Women Teacher's Associations of Ontario

Kay Sigurdsson, sous-directrice générale

Marilyn Roycroft, adjointe à l'administration

Du CAA (Ontario)

Leo Laviolette, vice-président, affaires publiques et

gouvernementales

Du ministère des Services sociaux et communautaires

L'honorable Charles Beer, ministre

Mark Woolard, administrateur, section d'élaboration des politiques

Du ministère du Logement

Walt Elliot, adjoint parlementaire

Glenn Thompson, sous-ministre

Tim Casey, sous-ministre adjoint, Groupe du logement social

Sue Corke, directrice, Collaboration et association

Du Centre for Independent Living in Toronto Inc.

Susan Forster, coordonnatrice de l'alphabétisation

Scott Seiler, préposé à la défense des droits

De l'Association des conseils scolaires public de l'Ontario

Ruth Lafarga, présidente

Penny Moss, directrice générale

**De la Chambre de commerce de l'Ontario**

Linda Matthews, présidente

Don Eastman, président, comité de la politique économique  
Art Smithard, membre du comité de la politique économique

**De la Fédération de l'agriculture de l'Ontario**

Brigid Pyke, présidente

**De l'Ontario Non-Profit Housing Association**

Debbie Kraus, directrice administrative

Roger Maloney, vice-président, directeur de l'exploitation, Peel Non-Profit Housing  
Sybil Frenette, directrice et co-présidente du comité des terres et de l'aménagement

Bill Bosworth, co-président, comité des terres et de l'aménagement, agent de l'administration,  
Homes First Society

**De DRI/McGraw Hill**

George Vasic, directeur des études économiques

**Du Conseil des universités de l'Ontario**

Terence Grier, présidente, Institut Polytechnique Ryerson

Grant Clarke, vice-directeur général

**De l'Association of Municipalities of Ontario**

Grant Hopcroft, échevin, ville de London et président de l'AMO

David Hipgrave, directeur, service de gestion, communauté urbaine de Toronto et président du  
comité de la politique budgétaire de l'AMO

Ron Eddy, préfet, canton de South Dumfries, et président, comité de la politique budgétaire de  
l'AMO

**De la Banque de Nouvelle-Écosse**

Warren Jestin, vice-président et économiste en chef

**De la Fédération des enseignantes-enseignants des écoles secondaires de l'Ontario**

Doris St. Amand, vice-présidente

James Livermore, secrétaire adjoint  
John McEwen, président, comité des finances de l'éducation

**De La Marche des dix-sous de l'Ontario**

Randall Pearce, directeur, affaires publiques et développement

Liste des témoins

ANNEXE D

**Mandat du Comité permanent des  
affaires économiques et financières**

L'alinéa f) de l'article 104 du Règlement de l'Assemblée législative se lit comme suit :

«Le Comité permanent des affaires économiques et financières, qui est autorisé à étudier la politique fiscale et économique de la province, et a fait rapport de ses observations, ses opinions et recommandations à l'Assemblée législative. Tous les documents afférents à ce domaine sont réputés avoir été renvoyés à ce comité dès qu'ils sont déposés.»

**Du Affordable Housing Action Group**

Abby Polonetsky, coordonnatrice  
Peter Dewdney, défenseur en matière de logement  
David Thornley, directeur de programme

**De l'Association de l'habitation coopérative de l'Ontario**

Tom Clement, président  
Dale Reagan, directeur administratif

**De la Municipal Electric Association**

Carl Anderson, président  
I.H. Jennings, directeur général

**Du Hockey Development Centre for Ontario**

Barrie Davis, président, association du hockey mineur du district  
d'Ottawa  
John Gardner, président, ligue de hockey de l'agglomération  
torontoise

**De la Toronto Home Builders' Association**

Chris Mullin, président  
David Keenan, premier vice-président

**De The Blind Organized of Ontario with Self-Help Tactics**

Eric Schryer, coordonnateur  
John Southern, agent de relation avec la collectivité

**De l'Ontario Real Estate Association**

Molra Schiedel, première vice-présidente  
Jim Flood, directeur, relations gouvernementales  
Kevan O'Connor, président, comité des affaires politiques  
Tom Bosley, vice-président

**De la Fédération du travail de l'Ontario**

Gordon Wilson, président  
John O'Grady, directeur de la recherche  
Carole-Anne Sceviour, directrice des droits de la personne

**De Wharton Econometric Forecasting Associates**

Ernie Stokes, directeur, services canadiens

**ANNEXE D**

**LISTE DES TÉMOINS**

**Du ministère du Trésor et de l'Économie**

Robert Christie, sous-ministre adjoint, Bureau des politiques économiques  
Tom Sweeting, directeur, Direction des politiques de taxation  
Robert Watson, directeur, Direction des opérations financières  
Kevin Costante, directeur adjoint, Cadre budgétaire et prévisions des dépenses  
Tony Salerno, sous-ministre adjoint intermédiaire, Office du budget  
John Whitehead, économiste, Taxes sur les particuliers et les marchandises

**De l'Union des Associations des professeurs des universités de l'Ontario**

Bill Graham, professeur

**Exposé personnel**

Norm Gurr, conseiller, ville de Southampton

**Du Conseil de l'éducation de la région d'York**

Harry Bowes, président  
Joanna French, présidente du Comité des finances des installations et de l'organisation  
Jack Webber, surintendant de l'exploitation

**Du Income Maintenance for the Handicapped Co-ordinating Group (Centre d'aide et de défense juridique pour les handicapés) (ARCH)**

Christopher Watts, président  
John Southern  
Francine Arsenault  
Harry Beatty, conseiller juridique

**De l'Institut C.D. Howe**

Irene Ip, analyste principale des politiques

**Exposé personnel**

Ed Kolodzie, citoyen



**ANNEXE C**  
**Mandat**

Nous sommes totalement d'accord avec la recommandation n° 33 du Comité, selon laquelle «le gouvernement devrait envisager un programme analogue au programme RTTEAFO, qui montrerait la volonté du gouvernement d'aider les exploitants agricoles en temps de crise de taux d'intérêt élevés».

Comme les taux d'intérêt réels sont encore plus élevés maintenant qu'ils ne l'étaient lors de la création du programme RTTEAFO, notre groupe parlementaire se fait le défenseur d'un nouveau programme d'aide pour les taux d'intérêts.

La Fédération de l'agriculture de l'Ontario constate que les programmes ponctuels ne constituent jamais une solution idéale, mais qu'ils peuvent procurer un soulagement temporaire. Nous sommes persuadés qu'un gouvernement qui peut se permettre d'offrir des avantages fiscaux de plus de 140 millions de dollars par année aux compagnies d'assurance automobile saura trouver des fonds pour aider les agriculteurs de l'Ontario.

Lorsque le gouvernement a pris cet engagement, le ministre de la Santé de l'époque a précisé que cette mesure visait à «garantir la capacité du réseau hospitalier ontarien de répondre aux besoins de la population jusqu'à la fin des années 1990».

Il rappelait en même temps la nécessité de se préparer en fonction des répercussions de l'évolution démographique, et particulièrement d'une augmentation de 53 % du nombre des personnes âgées, sur les hôpitaux ontariens.

Sachons-le, les facteurs qui ont poussé le gouvernement à s'engager à créer 4400 nouveaux lits n'ont pas changé et la nécessité d'une planification à long terme se fait toujours sentir; la seule chose qui ait changé, ce sont les intentions du gouvernement.

De telles méthodes de rationalisation des installations risquent de produire ce que l'Ontario Hospital Association a qualifié de «déficit des services».

Selon cette association, un tel déficit se produit lorsque les compressions budgétaires poussent les hôpitaux «à réduire les services qu'ils offrent aux malades avant que les collectivités ne mettent en place des solutions de rechange».

Comme le rappelle aussi cette association, «la réorientation du système des soins de santé en fonction de la prévention et des soins à domicile ne surviendra pas simplement à la suite d'une réduction de la capacité des hôpitaux à répondre aux besoins de la population en matière de santé».

→ Nous recommandons que le gouvernement veille à ne pas créer de brèche dans le système de soins de santé lors de la «rationalisation des installations» en mettant en place des systèmes ou des programmes de soutien dans les collectivités avant de procéder à cette «rationalisation».

Le fait que le gouvernement poursuive ses efforts en vue d'améliorer la productivité au sein du système de soins de santé nous pousse à faire le commentaire suivant.

Les hausses de productivité qui ne nuisent en rien à l'accès à des soins de santé de premier ordre ne pourront se produire sans la collaboration des professionnels de la santé de l'Ontario.

Le président de l'Ontario Medical Association a récemment déclaré que les rapports entre le gouvernement et la profession médicale n'ont jamais été si mauvaises; nous ne voyons guère dans cette déclaration la constatation d'une collaboration solide et constructive.

Avant de penser à améliorer la productivité, le gouvernement doit donc se soucier d'améliorer ses rapports avec tous ceux qui fournissent des soins de santé.

→ Nous recommandons que, comme première étape vers l'amélioration de la productivité dans le système de santé, le gouvernement cherche de bonne foi à améliorer ses relations avec les professionnels de la santé.

l'égard des agriculteurs et des travailleurs des industries de conditionnement du tabac, qu'il leur offre, de manière tout aussi active, des moyens d'aide réels et efficaces.

Comme le montrent les mesures que le gouvernement a prises dans le cadre du programme Redux, du programme FIT et de l'importante mesure que constitue le Programme d'aide aux producteurs de tabac dont les crédits sont presque épuisés, les antécédents de la province à cet égard ne sont pas brillants.

En toute équité, de nouveau, le gouvernement est tenu de procurer une contrepartie raisonnable s'il décide de se servir en toute connaissance de cause du régime fiscal pour forcer les gens à changer d'occupation.

De toute évidence, les programmes actuels sont insuffisants pour offrir l'aide rendue nécessaire par les répercussions d'une autre hausse de taxe sur les producteurs de tabac et sur l'industrie qu'ils alimentent.

Par exemple, la moitié des quelque 1200 agriculteurs qui font encore pousser du tabac en Ontario sont inscrits sur les listes d'attente des programmes d'aide de la province. Toute nouvelle hausse de taxe n'aurait pour effet que d'augmenter le nombre des agriculteurs qui ont besoin d'aide.

→ Nous recommandons que, si le gouvernement décide d'utiliser le régime fiscal pour décourager de façon active la consommation du tabac, il affecte une partie des recettes fiscales provenant du tabac équivalente à au moins 10¢ par paquet de cigarettes vendu pour financer un programme de rachat des agriculteurs faisant pousser du tabac, des programmes de formation et de recyclage destinés aux travailleurs perdant leur emploi dans l'industrie du conditionnement du tabac et un fonds de stabilisation créé au bénéfice des collectivités dont l'économie souffrirait en raison de la baisse de la consommation du tabac.

Nous estimons que, compte tenu de la consommation actuelle, la mise en oeuvre de cette recommandation fournirait des recettes supplémentaires de 70 millions de dollars par année, qu'il serait possible d'affecter à des programmes de formation, d'aide à la reconversion et de rachat.

Par ailleurs, nous ne pouvons nous empêcher d'exprimer notre inquiétude devant la recommandation n° 16 du Comité, selon laquelle «il faudrait accorder une priorité permanente aux efforts visant à rationaliser les installations et à améliorer la productivité au sein du système de soins de santé».

L'expression «rationaliser les installations» risque de devenir un fourre-tout qui peut aussi bien signifier le regroupement des services que la fermeture des lits.

Nous venons d'assister à une tentative de la part du gouvernement de «rationaliser» son incapacité à respecter son engagement de financer l'aménagement de 4400 nouveaux lits dans les hôpitaux de la province en proclamant tout simplement que le nombre des lits d'hôpitaux n'est plus le seul «étalon» des soins de santé.

tous les paliers de gouvernement. Rappelons quelques-uns de ces facteurs : l'inquiétude croissante soulevée, au sein des municipalités, par le transfert des responsabilités en provenance de la province; les plaintes persistantes émises par les provinces devant la même tendance au sein du gouvernement fédéral; et, surtout, la nécessité d'élaborer un régime fiscal susceptible de favoriser la compétitivité du pays au cours des années 1990.

La création du comité consultatif sur le financement provincial-municipal est bien le signe que la province se rend compte de la nécessité de revoir les arrangements financiers qui la lient aux municipalités.

Comme le rappelle notre document de novembre dernier sur la TPS, notre groupe parlementaire estime que les trois paliers de gouvernement auraient intérêt à se livrer au même exercice à l'échelle nationale.

→ Nous recommandons que le gouvernement de l'Ontario incite le gouvernement du Canada à constituer une commission tripartite fédérale-provinciale-municipale sur la politique budgétaire et fiscale au Canada, dont le mandat serait d'étudier le régime fiscal actuel et les relations à cet égard entre les trois ordres de gouvernement. En particulier, cette commission serait chargée de proposer des recommandations visant à assurer l'équité du régime fiscal pour les contribuables, à garantir à chaque ordre de gouvernement les ressources financières dont il a besoin pour s'acquitter de ses responsabilités et à faire en sorte que notre régime fiscal rehausse notre compétitivité à l'échelle internationale.

## LA SANTÉ

Les conclusions et recommandations du Comité concernant la taxe sur le tabac suscitent un certain nombre de commentaires de notre part.

Dans ses observations sur cette question, le Comité déclare que « dans ce cas particulier, il serait souhaitable de tirer parti des distorsions économiques causées par l'augmentation de la taxe de vente sur le tabac ».

Tout en étant sans contredit souhaitables sur le plan de l'hygiène publique, ces « distorsions économiques » auront des répercussions probablement fort peu bienvenues chez les producteurs de tabac ou chez ceux qui trouvent leur gagne-pain dans la fabrication et le conditionnement des produits du tabac, ou encore dans les collectivités dont la survie économique dépend de l'industrie du tabac.

À notre avis, le Comité propose une solution insuffisante aux conséquences défavorables de toute hausse de la taxe sur le tabac pour ceux qui vivent de cette industrie. Rappelons-le, cette solution consiste à recommander que, en échange de toute hausse de la taxe sur le tabac, « il faudrait accorder une aide supplémentaire aux producteurs de tabac pour faciliter la conversion à des cultures de remplacement » (recommandation n° 16).

Si le gouvernement décide de faire sienne la politique qui consiste à utiliser le régime fiscal pour décourager de façon active la consommation de tabac, il faut alors, en toute équité à



nationale de garde (recommandation n° 10), la stratégie nationale en matière de recherche et de développement (recommandation n° 21), le programme de rénovation de l'infrastructure commun (recommandation n° 24).

Tout en ayant voté en faveur de ces recommandations parce que nous estimons que la mise en oeuvre de programmes communs et à financement partagé dans ces domaines sert l'intérêt de la population, nous ne voulons pas donner au gouvernement provincial l'impression qu'il peut se passer d'assumer ses responsabilités dans les domaines qui relèvent de sa propre compétence.

La position du Comité sur la taxe sur les produits et services (TPS) nous semble un pas dans la bonne direction. La recommandation selon laquelle «il y aurait lieu d'explorer des moyens d'administrer conjointement la TPS et la taxe provinciale de vente» se distingue de façon marquée de l'attitude antagoniste et irrationnelle qui a souvent caractérisé les déclarations des principaux membres du gouvernement actuel sur la TPS.

Toutefois, de nouveau, nous constatons que le Comité n'a pas poussé assez loin les conseils qu'il donne au gouvernement.

Notre réaction à la TPS fait l'objet d'un exposé détaillé dans un document rendu public par notre groupe parlementaire le 21 novembre 1989. Tout en étant prêts à reconsidérer certaines de nos positions d'alors, nous restons convaincus que «les raisons poussant à remplacer la taxe fédérale sur les ventes des fabricants sont réelles et probantes» et que «le gouvernement fédéral et les dix provinces doivent retourner à la table des négociations pour élaborer une entente sur une taxe de vente au détail fédérale qui aurait en commun, avec les taxes de vente au détail provinciales, une même assiette, des taux coordonnés et un même organisme de perception». Nous estimons que le gouvernement de l'Ontario peut jouer un rôle de premier plan dans l'exploration, la conception et la mise en oeuvre d'un régime fiscal plus efficace et plus équitable que la taxe actuelle sur les ventes des fabricants ou que la TPS proposée.

Nous reconnaissons que le gouvernement de l'Ontario devra faire preuve d'un grand courage politique pour prendre la tête de ce processus; nous n'en sommes pas moins convaincus que les avantages qu'en tireront les consommateurs tout autant que les entreprises justifient ces risques.

→ Nous recommandons que le gouvernement de l'Ontario incite le gouvernement fédéral à convoquer une réunion extraordinaire des premiers ministres pour étudier la possibilité de conclure une entente sur l'adoption d'une taxe de vente au détail fédérale, qui serait administrée de concert avec les différentes taxes de vente provinciales, en remplacement de la taxe fédérale sur les ventes des fabricants.

→ Nous recommandons que le premier ministre de l'Ontario soutienne publiquement les déclarations de son trésorier et énonce, à titre de politique de son gouvernement, que la province de l'Ontario accepte le principe d'une taxe de vente conjointe fédérale-provinciale.

Un certain nombre de facteurs renforcent notre conviction qu'il est grand temps de se livrer à une révision majeure des arrangements et des rapports fiscaux et financiers qui existent entre



Le rapport de la majorité fait remarquer que le gouvernement a constitué un comité consultatif sur le financement provincial-municipal pour conseiller le ministre des Affaires municipales sur les moyens de respecter les contingences financières.

En outre, le gouvernement a sa disposition les recommandations et les conclusions du troisième rapport du Comité spécial de l'éducation, dont ce comité a repris la recommandation relative au plafond des subventions.

→ Nous recommandons que, pendant que le Comité consultatif sur le financement provincial-municipal poursuit ses travaux et que le gouvernement étudie les recommandations du Comité spécial de l'éducation, la province mette un frein à la mise en oeuvre de toute nouvelle politique ou de tout nouveau programme en vertu desquels elle se déchargerait de ses responsabilités sur les conseils municipaux ou elle leur transférerait le financement des mesures qu'elle prend par le biais de l'impôt foncier.

En outre, nous ne pouvons nous empêcher d'avoir quelques réserves à l'égard de la recommandation n° 22 du rapport de la majorité, qui incite le trésorier «à placer plus de caisses de retraite disponibles dans la Société ontarienne d'aménagement municipal» et à «encourager les municipalités à utiliser davantage ces fonds».

Cette recommandation se contente de reprendre une orientation politique proposée dans le dernier budget; toutes deux nous semblent se fonder sur l'hypothèse que les municipalités sont mieux en mesure que la province d'assumer et de servir le fardeau de la dette et donc qu'elles devraient emprunter davantage.

On doit rappeler que l'AMO a rejeté une conclusion d'une importance fondamentale pour la position de la province, à savoir que la situation financière des municipalités s'est améliorée au cours des dix dernières années, et qu'elle a remis en question «l'évaluation arbitraire» que le gouvernement provincial fait de «la capacité d'emprunt du secteur municipal».

Le mémoire de l'AMO fait aussi ressortir le caractère essentiellement illogique du budget de 1989, dans lequel le gouvernement provincial loue sa propre stratégie, qui consisterait à régler les dépenses à mesure qu'il les engage, «tout en déclarant que les municipalités doivent accroître leurs emprunts à long terme».

Les municipalités sont fondamentalement persuadées que toute hausse de leurs emprunts les expose à l'instabilité financière.

À notre avis, il est injuste que la province prenne toute mesure susceptible de placer les municipalités dans l'obligation d'emprunter davantage en leur transférant des responsabilités qui font augmenter leurs dépenses sans contrepartie financière correspondante.

## RELATIONS FÉDÉRALES-PROVINCIALES

Le Comité a recommandé que le gouvernement fédéral et le gouvernement provincial amorcent des négociations sur un certain nombre de questions et de programmes, notamment la politique

Les observations de la Chambre de commerce de l'Ontario à cet égard nous ont fort impressionnés et, par conséquent :

→ Nous recommandons que le gouvernement précise et quantifie, de façon exhaustive, le fardeau que ses mesures font peser sur l'économie et qu'il accompagne toute nouvelle augmentation des impôts d'une explication complète du choix de ce moyen fiscal, d'une évaluation de son coût économique et des autres possibilités éventuelles.

## MUNICIPALITÉS ET CONSEILS SCOLAIRES

Les municipalités et les conseils scolaires de l'Ontario connaissent intimement la manière dont les taxes et les décisions politiques du gouvernement provincial ont pour effet d'accroître leurs

Tandis que des programmes tel que la SMID, de nouvelles taxes telles que l'impôt-santé et des décisions politiques visant des questions telles que la sécurité des tribunaux et le magasinage le dimanche, mis en oeuvre à l'échelon provincial, ont pour conséquence d'augmenter les frais et les responsabilités des municipalités, d'autres mesures provinciales ont restreint les ressources financières mises à la disposition des administrations municipales. Par exemple, le mémoire soumis par l'Association of Municipalities au Comité décrit le budget de 1989 comme «une attaque sans précédent sur les recettes des municipalités».

Dans le cas des conseils scolaires, la Fédération des enseignants des écoles secondaires de l'Ontario a fait remarquer au Comité que, en 1989, le gouvernement a fait peser sur l'assiette fiscale foncière des frais approuvés de 350 millions de dollars.

La recommandation n° 5 du Comité montre la possibilité qu'il y a de commencer à régler les problèmes créés par l'habitude qu'a la province de transférer ses responsabilités aux municipalités et aux conseils scolaires en lui faisant comprendre les frais que cela impose à ces organismes. Toutefois, à notre avis, cette recommandation n'est pas suffisante.

La majorité du Comité n'a pas retenu la suggestion de l'AMO voulant que le gouvernement provincial soit tenu de consulter cet organisme pour évaluer les répercussions sur les municipalités de tout nouveau programme ou de toute nouvelle politique provinciale, ou encore de toute modification des programmes actuels.

Il est loisible au gouvernement de ne pas faire face à la réalité. Quant à nous, nous sommes convaincus que son processus décisionnel bénéficierait fort probablement de l'apport des municipalités. En conséquence :

→ En ce qui concerne la recommandation n° 5 du rapport de la majorité, nous recommandons que les ministères soient tenus de consulter l'Association of Municipalities of Ontario (AMO) et tout autre représentant approprié du secteur de l'éducation pour évaluer les répercussions de tout nouveau programme, de toute nouvelle politique ou de toute révision d'un programme ou d'une politique sur les administrations municipales et sur le système d'éducation.

## EVALUATION DES RÉPERCUSSIONS ÉCONOMIQUES DES POLITIQUES DU GOUVERNEMENT

Les politiques du gouvernement provincial, notamment sa politique budgétaire et sa politique sur la qualité de la vie, risquent d'imposer de nouveaux frais au secteur privé, aux autres paliers de gouvernement et aux bénéficiaires des paiements de transfert. À leur tour, ces frais risquent d'avoir un effet sur le taux d'inflation, sur la création d'emplois, sur la rentabilité ainsi que sur la qualité des services offerts.

Le rapport de la majorité traite de cette question en ce qui a trait aux bénéficiaires des paiements de transfert, notamment les municipalités et les conseils scolaires, dans la mesure où il recommande que les répercussions des politiques et des programmes provinciaux sur ces organismes soient prises en considération au cours du processus décisionnel.

Nous estimons qu'il convient d'élargir cette pratique.

Le dernier budget comportait un certain nombre d'exemples de la manière dont les décisions politiques du gouvernement entraînent de nouveaux frais directs et indirects et du fait que, trop souvent, le gouvernement ne donne pas suffisamment de renseignements sur ces frais et sur leurs répercussions.

Par exemple, ni dans le budget ni par la suite, le gouvernement ne s'est préoccupé de présenter une évaluation exhaustive des répercussions économiques de sa décision de financer l'élimination des primes du RAMO par l'imposition d'une taxe sur les emplois, qu'il a appelée l'impôt-santé des employeurs.

Libre au gouvernement de croire que cette nouvelle taxe ne nuira pas à la création d'emplois, ne réduira pas les augmentations de salaires, ne gênera pas nos efforts visant à améliorer notre compétitivité, ne découragera pas des entreprises de s'installer ou de s'agrandir en Ontario ni n'éliminera un moyen de limiter le coût des soins de santé!

Quant à nous, nous trouverions rassurant de pouvoir étudier un document qui nous prouverait que les certitudes du gouvernement à cet égard se fondent sur quelque chose de plus solide que des vœux pieux et que la décision d'imposer cette nouvelle taxe s'explique par autre chose qu'une simple propension à agir sans réfléchir.

Le gouvernement doit absolument nous prouver qu'il comprend que ses décisions politiques, qu'il s'agisse de mettre en application une loi sur l'équité salariale ou d'augmenter la taxe de vente au détail, ont des répercussions plus profondes qu'une simple manchette ou la modification d'un chiffre dans la colonne des crédits des comptes publics.



revenir sur l'effort de la prudence sur le plan des dépenses auquel nous assistons depuis 1985.

La mise à jour des données financières du troisième trimestre du présent exercice, que l'on vient de rendre publique, montre que le gouvernement a de nouveau dépensé plus qu'il ne le prévoyait dans son budget de l'exercice précédent, comme il l'a fait chaque année depuis qu'il est au pouvoir.

En fait, si les plus récentes prévisions se confirment, le gouvernement aura dépensé, d'ici la fin de l'exercice, 3,2 milliards de dollars de plus qu'il ne l'avait prévu dans ses différents budgets depuis 1985.

Le ralentissement de la croissance économique ne nous permettra pas de continuer à dépenser au-delà de nos moyens.

Dans la conjoncture économique actuelle, comme le fait remarquer le mémoire de l'Institut C.D. Howe, «le gouvernement se doit de faire de l'ordre dans ses priorités pour pouvoir résoudre les problèmes soulevés par un trop grand nombre de besoins en concurrence les uns avec les autres pour se partager des ressources insuffisantes. Il lui revient d'énoncer au grand jour ses priorités dans son budget et de les respecter à la lettre pour atteindre ses objectifs sur le plan des dépenses. Il lui faut préciser clairement les objectifs de chaque programme et annuler chacun de ceux qui ne remplissent plus leurs objectifs ou dont les objectifs sont dépassés. Le gouvernement doit se tenir d'entrer en concurrence avec le secteur privé chaque fois que ce dernier est en mesure d'offrir un service.»

Une telle démarche serait un élément important d'une stratégie de compression des dépenses visant à atteindre ce que le mémoire de la Banque de Nouvelle-Ecosse qualifie de «rationalisation concertée des programmes actuels». Elle permettrait aussi de financer de nouvelles mesures grâce à la réaffectation des ressources existantes sans augmenter les impôts ni le déficit.

Dans notre rapport pré-budgétaire soumis par la minorité en 1988, nous recommandions une révision générale des dépenses, l'utilisation plus déterminée des dispositions prévoyant l'annulation des programmes et l'engagement d'adopter un plan financier permettant d'équilibrer le budget avant l'exercice 1989-1990.

Deux ans plus tard, et dans une conjoncture économique moins favorable, nous sommes persuadés que le gouvernement n'a d'autre choix que d'agir enfin dans ce sens.

→ Nous recommandons que, au cours de l'exercice de 1990-1991, le gouvernement :

1. équilibre le budget;
2. n'augmente pas le fardeau fiscal des résidents de l'Ontario;
3. finance les programmes prioritaires et toutes autres nouvelles mesures en modifiant l'affectation des recettes qu'il tire de l'assiette fiscale actuelle.

qu'aggraver le ralentissement économique et retarderait le retour à une croissance plus vigoureuse.

En particulier, nous trouvons essentiel que le gouvernement se retienne de poursuivre la tendance que la Chambre de commerce de l'Ontario a décrite comme «une succession continue de hausses des impôts», que ce gouvernement met en œuvre dans ses vains efforts de maintenir «l'augmentation de ses recettes à la hauteur de l'augmentation de ses dépenses». À l'instar de l'Institut C.D. Howe, nous souhaitons que ce gouvernement élabore et mette en œuvre une politique qui n'entraîne «aucune autre augmentation du fardeau fiscal des résidents de l'Ontario».

→ *Nous recommandons que, dans son budget de 1990, le gouvernement de l'Ontario abandonne sa politique qui consiste à augmenter les impôts pour mieux dépenser et qu'il adopte une gestion budgétaire plus disciplinée.*

## UNE POLITIQUE BUDGÉTAIRE PLUS DISCIPLINÉE

Compte tenu des antécédents du gouvernement sur le plan de la fiscalité, nous sommes étonnés que la majorité du Comité recommande seulement qu'il n'y ait pas d'augmentation majeure des impôts, comme le précise sa recommandation n° 3.

Il est difficile de dire si cette recommandation revient à interdire au gouvernement d'imposer aux contribuables une série d'augmentations mineures des impôts qui, au total, représenteraient une somme «majeure» pour le gouvernement.

En tout état de cause, il nous faut remettre en question le fait que le gouvernement se sente même dans l'obligation de hausser les impôts.

Les renseignements fournis dans le mémoire de l'Ontario Natural Gas Association, qui se fondent sur les prévisions budgétaires du ministère du Trésor, indiquent que les recettes de la province seront de 44 milliards de dollars au cours de l'exercice 1990-1991. Cela représente une augmentation de 3,3 milliards de dollars, soit de 8,1 % comparativement aux recettes estimatives du présent exercice, qui a servi de base aux prévisions.

Toujours selon les projections budgétaires officielles, nous estimons qu'une telle augmentation des recettes pourrait permettre au gouvernement de financer une augmentation globale inflationniste de l'ensemble de ses dépenses de l'ordre de 5,3 % tout en disposant quand même de 500 à 600 millions de dollars, qu'il pourrait affecter à ses programmes prioritaires ou à de nouvelles mesures.

Le gouvernement pourrait alors équilibrer son budget et augmenter le total de ses dépenses d'environ 6,5 % sans hausser les impôts.

C'est la compression des dépenses, et non une autre augmentation des impôts, qui est la clé d'une politique budgétaire plus disciplinée. Pour atteindre cet objectif, il nous faudra cependant

exercices, et on peut constater que, au cours du présent exercice, le gouvernement percevra environ deux fois d'impôt qu'en 1984-1985.

Cette ponction fiscale considérable, jointe à une croissance économique vigoureuse prolongée, a permis au gouvernement d'augmenter ses dépenses à un taux annuel moyen de 9,3 %, soit près du double du taux d'inflation moyen au cours de cette période, tout en réduisant le déficit et la dette, dans ce dernier cas seulement en comparaison du PIB, toutefois.

Cependant, comme le souligne le mémoire de l'Institut C.D. Howe, «la réduction du déficit, de la dette et des dépenses en pourcentage du PIB est d'avantage le résultat de la performance impressionnante du dénominateur de ces ratios que de celle de leurs numérateurs. Une récession ou un ralentissement de l'économie finiront vite par révéler la fragilité de ces réalisations.»

En d'autres termes, le gouvernement a joué la carte de la hausse des impôts et de la croissance économique plutôt que celle de la compression des dépenses pour assurer sa stabilité financière; sa position est donc très vulnérable dans l'éventualité d'un ralentissement de l'économie.

Pour mener cette politique, le gouvernement a augmenté ses dépenses au point que, en l'absence de toute prospérité économique, il ne pourra continuer sur sa lancée qu'en augmentant encore davantage soit les impôts, soit les déficits.

Ce scénario s'appuie sur les prévisions mêmes du gouvernement.

En fonction de ses propres projections économiques, qui prennent comme hypothèse que le gouvernement ne modifiera en rien sa politique fiscale et que ses recettes totales augmenteront au rythme d'environ 90 % du taux de croissance du PIB et ses dépenses, à un taux annuel moyen de 8,7 %, le ministre du Trésor prévoit que le déficit de la province passera de 0,6 milliard de dollars, soit environ 0,2 % du PIB, au cours du présent exercice à 2,4 milliards de dollars, soit environ 0,7 % du PIB estimatif en 1992-1993.

Comme le fait remarquer l'Ontario Natural Gas Association, «ces chiffres supposent que, pour maintenir le déficit à son niveau actuel, il faudra avoir recours à une combinaison quelconque d'une croissance des dépenses inférieure aux prévisions ou à une hausse des impôts ou aux deux. La hausse des impôts devra être considérable, soit l'équivalent d'une hausse du taux de la taxe de vente au détail de 8 à 10 %».

Le gouvernement pourrait aussi choisir de ne pas maintenir le déficit à son niveau actuel et de lui permettre de s'élever selon les prévisions.

Nous sommes persuadés que ni une hausse des impôts, ni une augmentation du déficit, ni un accroissement de la dette ne sont dans l'intérêt de la province. Les impôts et les déficits absorbent l'épargne et réduisent le montant d'argent que les particuliers et les sociétés peuvent affecter aux dépenses à la consommation et aux investissements.

Compte tenu des prévisions économiques, une politique budgétaire qui nuirait aux consommateurs et aux investisseurs par le biais d'une hausse des impôts ou du déficit ne ferait



Malgré certaines différences de détail, un certain nombre de mémoires soumis au Comité portaient semblable, voire dans certains cas encore plus sombre, de la situation.

L'art des prévisions économiques est peu précis; un économiste américain a bien illustré les dangers de ce métier en rappelant qu'il avait réussi à prédire dix des trois dernières récessions. Toutefois, les écarts que l'on peut constater entre les projections dont fait état le rapport de la majorité devraient souligner au gouvernement le degré d'incertitude qui règne quant à l'évolution de la conjoncture et, par conséquent, l'inciter à adopter une politique budgétaire prudente.

Un facteur de complication de cette conjoncture est l'incertitude soulevée par les répercussions de la taxe sur les produits et services (TPS) sur l'économie et sur les finances publiques. On peut discuter sur l'ampleur du phénomène, mais une chose est certaine : l'économie de la province a amorcé un ralentissement, et sa croissance sera de beaucoup inférieure au taux annuel moyen de 5,5 %, qu'elle a connu de 1985 à 1988.

→ **Compte tenu de la conjoncture actuelle, le gouvernement aurait intérêt à suivre une politique budgétaire qui :**

1. **minimiserait la possibilité d'une récession;**

2. **stabiliserait sa situation financière et lui donnerait la souplesse nécessaire pour**

**répondre adéquatement aux besoins soulevés par une récession, le cas échéant;**

3. **placerait la province en position de retrouver rapidement une croissance plus**

**vigoureuse.**

*À notre avis, la politique du gouvernement libéral de l'Ontario, qui consiste à hausser les impôts pour mieux dépenser, ne permettra d'atteindre aucun de ces objectifs et doit donc être abandonnée.*

On n'exagère pas en affirmant que, depuis 1985, la politique budgétaire de cette province a été axée sur les impôts. Trois des cinq derniers budgets prévoyaient d'importantes hausses des impôts perçus auprès des habitants de l'Ontario.

Le gouvernement a imposé pas moins de 32 nouvelles taxes ou augmentations de taxe et de droits depuis 1985. Résultat : selon l'Institut C.D. Howe, l'Ontario a le deuxième taux d'imposition le plus élevé par habitant du pays et se place tout de suite après le Québec pour ce qui est de l'ampleur du fardeau fiscal qu'il impose à ses citoyens. [Le mémoire de l'Institut précise que cette évaluation ne tient pas compte des paiements de transfert versés au Québec, «qui faussent les calculs à la hausse dans le cas de cette province».]

Comme le fait remarquer le mémoire de la Banque de Nouvelle-Écosse, les recettes fiscales de l'Ontario ont augmenté à un taux annuel moyen de près de 15 % au cours des cinq derniers

→ Nous constatons un ralentissement de la croissance de l'économie de la province à mesure que s'instaure un taux de croissance plus lent et plus raisonnable. Il est cependant tout à fait possible que ce ralentissement supposément en douceur se transforme en un atterrisage en catastrophe et entraîne une récession économique.

#### Ontario Natural Gas Association

→ ... Si le gouvernement n'arrive pas à produire un budget équilibré à la suite de hausses importantes des impôts et d'une croissance économique exceptionnelle, il est temps qu'il se pose certaines questions quant à l'ampleur de ses dépenses.

T.B.G. Whitehead, économiste régional  
Banque Canadienne Impériale de Commerce

→ Pour garantir la poursuite de notre prospérité, les responsables politiques ontarien doivent adopter une attitude plus prudente en matière de dépenses et résister à la tentation de hausser les impôts. Ils doivent rationaliser, de manière concertée, les programmes actuels pour se donner la marge de manœuvre nécessaire pour répondre aux nouveaux besoins. Ils doivent avant tout s'attacher à comprimer leurs dépenses. Toute tentative de financer les nouveaux programmes et de compenser la baisse des recettes au moyen d'une hausse des impôts est d'avance vouée à l'échec. Une telle attitude n'aurait pour effet que d'encourager l'établissement des entreprises en dehors des frontières de la province.

William Jestin, vice-président et économiste en chef  
Philip Howell, économiste principal  
Banque de Nouvelle-Écosse

Nous profitons de l'occasion pour remercier de nouveau tous ceux qui ont témoigné devant le Comité et qui nous ont fait partager leurs connaissances, leurs analyses et leur expérience, sans oublier, bien sûr, le personnel du Comité, dont nous avons su apprécier la compétence et la patience.

## NECESSITE D'UNE NOUVELLE APPROCHE

Nous estimons que le rapport de la majorité ne souligne pas suffisamment le fait que les propres projections éconómistes et budgétaires du gouvernement font ressortir la nécessité d'adopter une approche radicalement différente dans la gestion des finances de la province.

Les prévisions économiques présentées dans le numéro de novembre 1989 de la publication du ministère du Trésor intitulée Perspectives économiques et revue budgétaire laissent entrevoir que la province connaîtra prochainement une croissance économique beaucoup plus lente, une baisse dans la création d'emplois et une hausse du chômage.

Nous soumettons l'avis de la minorité pour exprimer notre désaccord avec certaines des recommandations du rapport de la majorité, de même que nos réserves et commentaires à l'égard de certaines autres.

Notre principal objectif est de bien faire comprendre au gouvernement la nécessité de revoir sa politique budgétaire à la lumière des nouvelles réalités économiques qui se font jour.

→ *Nous sommes convaincus que la conjoncture économique actuelle et les projections dans ce domaine rendent inopportune, voire dangereuse, toute tentative de la part du gouvernement de maintenir la politique budgétaire axée sur les impôts qu'il met en œuvre sans relâche depuis 1985.*

Depuis son arrivée au pouvoir, le gouvernement actuel a mené une politique budgétaire qui exploite la croissance économique sans rien faire pour la favoriser.

Nous nous inquiétons du fait que la poursuite de cette politique budgétaire, qui consiste à hausser les impôts pour mieux dépenser, risque de renforcer les facteurs de ralentissement de la croissance et de la création d'emplois, et qu'une telle démarche puisse transformer le passage en douceur à des taux de croissance plus raisonnables en un atterrisage en catastrophe, précurseur d'une récession.

Compte tenu des perspectives économiques de la province et de l'avis exprimé par un certain nombre de délégations qui ont témoigné devant le Comité, nous en sommes arrivés à la conclusion que le bon sens dicte, et que l'intérêt public exige, une politique budgétaire plus disciplinée si nous voulons minimiser le risque d'une récession et encourager un retour rapide à une croissance vigoureuse.

→ *Une politique budgétaire plus disciplinée exclut toute autre augmentation du fardeau fiscal des résidents de l'Ontario et requiert la mise en œuvre de compressions rigoureuses des dépenses dans le but d'équilibrer le budget du prochain exercice.*

Il suffira de rappeler certaines observations probantes faites devant le Comité pour justifier la nécessité d'une politique budgétaire plus disciplinée et pour établir la responsabilité du gouvernement à cet égard.

Ainsi, nous nous permettons de citer les intervenants suivants :

→ *Par ses actions et par ses interventions, le gouvernement de l'Ontario est en grande partie responsable des pressions inflationnistes qui ont entraîné le ralentissement actuel de l'économie. Étant à l'origine du problème, ce gouvernement doit aussi jouer un rôle dans sa résolution.*

égard entre les trois ordres de gouvernement. En particulier, cette commission serait chargée de proposer des recommandations visant à assurer l'équité du régime fiscal pour les contribuables, à garantir à chaque ordre de gouvernement les ressources financières dont il a besoin pour s'acquitter de ses responsabilités et à faire en sorte que notre régime fiscal rehausse notre compétitivité à l'échelle internationale.

→ Nous recommandons que, si le gouvernement décide d'utiliser le régime fiscal pour décourager de façon active la consommation du tabac, il affecte une partie des recettes fiscales provenant du tabac équivalente à au moins 10¢ par paquet de cigarettes vendu pour financer un programme de rachat des agriculteurs faisant pousser du tabac, des programmes de formation et de recyclage destinés aux travailleurs perdant leur emploi dans l'industrie du tabac et un fonds de stabilisation créé au bénéfice des collectivités dont l'économie souffrirait en raison de la baisse de la consommation du tabac.

→ Nous recommandons que le gouvernement veille à ne pas créer de brèche dans le système de soins de santé lors de la « rationalisation des installations » en mettant en place des systèmes ou des programmes de soutien dans les collectivités avant de procéder à cette « rationalisation ».

→ Nous recommandons que, comme première étape vers l'amélioration de la productivité dans le système de santé, le gouvernement cherche de bonne foi à améliorer ses relations avec les professionnels de la santé.



## LISTE DES RECOMMANDATIONS

- Nous recommandons que, dans son budget de 1990, le gouvernement de l'Ontario abandonne sa politique qui consiste à augmenter les impôts pour mieux dépenser et qu'il adopte une gestion budgétaire plus disciplinée.
- Nous recommandons que, au cours de l'exercice de 1990-1991, le gouvernement :
  1. équilibre le budget;
  2. n'augmente pas le fardeau fiscal des résidents de l'Ontario;
  3. finance les programmes prioritaires et toutes autres nouvelles mesures en modifiant l'affectation des recettes qu'il tire de l'assiette fiscale actuelle.
- Nous recommandons que le gouvernement précise et quantifie, de façon exhaustive, le fardeau que ses mesures font peser sur l'économie et qu'il accompagne toute nouvelle augmentation des impôts d'une explication complète du choix de ce moyen fiscal, d'une évaluation de son coût économique et des autres possibilités éventuelles.
- En ce qui concerne la recommandation n° 5 du rapport de la majorité, nous recommandons que les ministères soient tenus de consulter l'Association of Municipalities of Ontario (AMO) et tout autre représentant approprié du secteur de l'éducation pour évaluer les répercussions de tout nouveau programme, de toute nouvelle politique ou de toute révision d'un programme ou d'une politique sur les administrations municipales et sur le système d'éducation.
- Nous recommandons que, pendant que le Comité consultatif sur le financement provincial-municipal poursuit ses travaux et que le gouvernement étudie les recommandations du Comité spécial de l'éducation, la province mette un frein à la mise en oeuvre de toute nouvelle politique ou de tout nouveau programme en vertu desquels elle se déchargerait de ses responsabilités sur les conseils municipaux ou elle leur transférerait le financement des mesures qu'elle prend par le biais de l'impôt foncier.
- Nous recommandons que le gouvernement de l'Ontario incite le gouvernement fédéral à convoquer une réunion extraordinaire des premiers ministres pour étudier la possibilité de conclure une entente sur l'adoption d'une taxe de vente au détail fédérale, qui serait administrée de concert avec les différentes taxes de vente provinciales, en remplacement de la taxe fédérale sur les ventes des fabricants.
- Nous recommandons que le premier ministre de l'Ontario soutienne publiquement les déclarations de son trésorier et énonce, à titre de politique de son gouvernement, que la province de l'Ontario accepte le principe d'une taxe de vente conjointe fédérale-provinciale.
- Nous recommandons que le gouvernement de l'Ontario incite le gouvernement du Canada à constituer une commission tripartite fédérale-provinciale-municipale sur la politique budgétaire et fiscale au Canada, dont le mandat serait d'étudier le régime fiscal actuel et les relations à cet

**Avis contraire de MM. Allan McLean et Sam Cureatz,  
du Parti progressiste-conservateur**

**ANNEXE B**



5) Le gouvernement doit apporter son soutien financier à la création de 20 000 logements sans but lucratif et coopératif chaque année, notamment en fournissant des crédits pour favoriser la conversion de maisons de chambres privées en logements sans but lucratif.

6) Le gouvernement doit interdire que ses terres puissent servir à la construction de logements de luxe.

7) Le gouvernement doit se montrer en faveur d'une économie respectueuse de l'environnement en rejetant le document de travail du ministère du Trésor intitulé «Reforming our Land Use and Development System», qui est susceptible de saper un grand nombre des mesures de protection de l'environnement qui existent actuellement en droit ontarien.

8) Le gouvernement doit ordonner à la Régie des alcools de l'Ontario d'imposer un système de dépôt des bouteilles pour tous les vins et alcools canadiens.

Karl Morin-Strom, député  
Sault-Sainte-Marie

Howard Hampton, député  
Rainy River

- les prestations d'aide sociale exprimées en termes absolus aussi bien qu'en termes relatifs par rapport au seuil de la pauvreté;

- l'utilisation des banques d'aliments;

- les données sur le logement, notamment le prix moyen des maisons dans certaines villes, le revenu nécessaire pour acheter une maison, la moyenne des loyers dans certaines villes et l'ampleur des listes d'attente pour des logements sociaux;

- la répartition des revenus et des richesses en Ontario;

- la répartition des revenus par sexe;

- le fardeau fiscal des différentes catégories de revenu;

- le nombre des travailleurs mis à pied et leur taux de réembauchage dans des emplois comparables.

2) Le gouvernement doit adopter des mesures qui rendront le régime fiscal de l'Ontario plus équitable, notamment :

- l'adoption d'un impôt sur la richesse;

- l'élimination de l'impôt sur le revenu des particuliers dans le cas des personnes vivant au-dessous du seuil de la pauvreté;

- l'adoption d'un impôt minimal sur le revenu des sociétés.

3) Le gouvernement doit refuser sa collaboration au gouvernement fédéral dans le cadre de la mise en oeuvre de cette taxe régressive qu'est la TPS.

4) Le gouvernement doit adopter une taxe sur la spéculation foncière pour faire comprendre que le logement est un droit fondamental et non un bien pouvant faire l'objet de spéculation.

Nous estimons que les Ontariens sont en faveur de la notion d'une économie respectueuse de l'environnement. Le fait d'encourager la croissance économique sans égard à l'environnement est le meilleur moyen de provoquer une catastrophe économique et écologique.

Nous ne pouvons donc que condamner le soutien que le trésorier apporte au document intitulé «Reforming Our Land Use and Development System». Connue aussi sous le nom de «Projet X», ce document aurait pour effet de saper l'essence des lois et des politiques de protection de l'environnement qui sont en vigueur à l'heure actuelle en Ontario. Nous mettons le trésorier en demeure de renforcer les mesures publiques de protection de l'environnement plutôt que de les affaiblir.

Nous sommes aussi le gouvernement de favoriser la réutilisation en obligeant la Régie des alcools de l'Ontario à mettre en oeuvre un système de dépôt des bouteilles pour tous les vins et alcools canadiens, comme cela se fait déjà pour les bières canadiennes. Il est plus efficace de retourner les bouteilles pour qu'elles soient réutilisées que de les recycler; le gouvernement provincial a négligé d'adopter cette mesure importante.

Nous émettons le souhait que le trésorier élabore son budget de 1990 en tenant compte de deux idées fondamentales : l'équité économique et la protection de l'environnement.

Nous recommandons donc les mesures suivantes :

1) Le budget provincial doit présenter une image exhaustive de la situation économique et sociale de l'Ontario. Il doit faire appel à un grand éventail d'indicateurs sociaux et économiques, susceptibles d'être suivis et étudiés isolément pour en suivre le progrès, notamment :

- le nombre de personnes vivant au-dessous du seuil de la pauvreté, notamment le nombre d'enfants;
- le nombre de cas d'aide sociale;

De plus en plus d'Ontariens ont besoin de logements sociaux puisqu'un grand nombre de familles sont incapables de faire l'acquisition de leur propre maison et que le marché des logements devient de moins en moins abordable en raison du système de révision des loyers du gouvernement, qui est favorable aux propriétaires. Plus de 80 % des bénéficiaires de l'aide sociale vivent à l'heure actuelle dans des logements privés, ce qui rend leur situation sur le plan de l'hébergement de plus en plus précaire.

Malheureusement, le nouveau ministre du Logement nous a fait part de son intention de réduire le soutien que le gouvernement apporte au logement sans but lucratif et coopératif. Une telle politique est totalement aberrante, non seulement en raison d'un besoin humanitaire évident (la liste d'attente de la Société de logement de l'Ontario pour des logements sociaux comprend actuellement plus de 41 000 familles), mais aussi parce qu'il s'agit d'une nécessité économique. En forçant certains travailleurs à quitter la région, le coût élevé du logement dans la communauté urbaine de Toronto met en danger les nouveaux investissements susceptibles de créer des emplois.

Nous mettons le gouvernement en demeure d'allouer, chaque année, 20 000 unités de logement sans but lucratif et coopératif, notamment en finançant la conversion de maisons de chambres privées en logements sans but lucratif.

Nous estimons que la province devrait axer ses efforts sur le plan du logement en direction du secteur sans but lucratif. Il nous semble que le meilleur moyen d'assurer des logements abordables aux Ontariens est de favoriser le secteur sans but lucratif et coopératif. Nous mettons aussi le gouvernement en demeure de soutenir activement la création de logements abordables en s'assurant que les terres de la province ne servent pas à la construction de logements de luxe.

Si le gouvernement provincial peut faire beaucoup pour compenser les inégalités économiques dans notre société, il doit aussi s'efforcer de rétablir le déséquilibre que l'on y retrouve sur le plan de l'environnement.

Le gouvernement provincial s'est aussi attaqué aux familles à revenus modestes par l'augmentation des taxes à la consommation. Ainsi, il a adopté une nouvelle taxe sur la concentration commerciale qui, entre autres, vise les terrains de stationnement municipaux où les banlieusards laissent leur véhicule pour emprunter le réseau de transport en commun qui les amène au centre-ville de Toronto. Ce gouvernement a augmenté considérablement les droits d'immatriculation des véhicules. Et il a augmenté la taxe provinciale sur l'essence sans plomb au détriment des Ontariens du Nord et des campagnes, qui n'ont pas accès à un réseau de transport en commun et qui dépendent de leur automobile.

Tandis que le gouvernement provincial continue de miner un régime fiscal progressif, le gouvernement fédéral, de son côté, a lancé son propre assaut sur l'équité fiscale par le biais de la taxe sur les produits et services (TPS). Le premier ministre a bien qualifié la TPS de mesure inéquitable, mais son trésorier a avoué publiquement sa volonté de collaborer avec le gouvernement fédéral dans le cadre de la mise en oeuvre de cette taxe. L'hypocrisie de ce gouvernement sur la question de la TPS nous révolte et nous le sommons de refuser de collaborer avec le gouvernement fédéral de quelque manière qui puisse faciliter la mise en oeuvre de cette taxe régressive qu'est la TPS.

En plus d'être accueillies au mur par un régime fiscal de plus en plus régressif, les familles à revenus modestes doivent en même temps faire face au coût élevé du logement.

Le fait de posséder sa propre maison devient un rêve de plus en plus inaccessible pour les familles à revenus modestes, non seulement à Toronto, mais aussi dans la plupart des villes de la province. De 1985 à 1989, le prix de vente moyen des maisons a plus que doublé à Bancroft, Belleville, Brantford, Collingwood, Hamilton, Kitchener, Orillia, Oshawa, Owen Sound, Peterborough, Welland, Woodstock et Toronto. Au cours de la même période de quatre ans, l'indice des prix à la consommation n'a augmenté que de 18,7 %.

Le gouvernement provincial aurait pu ralentir le rythme de ces augmentations en taxant lourdement les spéculateurs fonciers, mais les Libéraux ont refusé de le faire. Les Néo-Démocrates sont persuadés que la nécessité de taxer les spéculateurs s'impose toujours.



La prévalence d'une telle pauvreté au sein d'une société aussi riche que la nôtre est déplorable. Il est impardonnable que le gouvernement provincial choisisse de s'attaquer aux pauvres de l'Ontario en leur faisant payer de l'impôt sur le revenu provincial. Les derniers chiffres disponibles montrent que, en 1987, le trésorier a soutiré de l'impôt sur le revenu provincial à 300 000 Ontariens qui gagnaient moins de 10 000 \$.

À l'encontre de Robin des Bois, le gouvernement provincial prend aux pauvres pour donner aux riches : il existe encore plus d'un millier d'Ontariens qui gagnent plus de 50 000 \$ par année sans payer d'impôt sur le revenu; en outre, de nombreuses sociétés ontariennes rentables ne paient aucun impôt sur le revenu des sociétés grâce à un régime fiscal qui leur procure un grand nombre d'échappatoires.

Depuis cinq ans, le gouvernement provincial a fait tout ce qu'il a pu pour aggraver davantage l'inéquité de notre régime fiscal. Il a haussé la taxe de vente, qui est régressive, il a provoqué l'augmentation d'impôts fonciers régressifs et il a mis en oeuvre ou a augmenté toute une série de taxes à la consommation régressives.

La décision du gouvernement de faire passer la taxe de vente au détail de 7 % à 8 % soustre une somme supplémentaire de un milliard de dollars par année aux consommateurs ontariens. Et ce sont les familles à revenus faibles et modestes qui souffrent le plus de cette augmentation, puisque ce sont elles qui consacrent la plus grande partie, voire la totalité, de leur revenu à des biens de consommation. Les riches Ontariens peuvent se permettre de placer une partie de leur argent et donc d'échapper à la taxe de vente au détail (ces riches investisseurs profitent d'autres avantages fiscaux puisque les gains en capital que leur procurent leurs placements ne sont pas imposés au taux intégral).

Le gouvernement provincial a, en outre, miné l'idéal d'un régime fiscal progressif en provoquant systématiquement la hausse des impôts fonciers (qui ne dépendent pas de la capacité de payer) et en réduisant les crédits affectés aux administrations municipales et à l'éducation élémentaire et secondaire. Les représentants des milieux de l'éducation et des administrations municipales qui ont témoigné devant ce comité nous ont décrit clairement la difficile situation financière dans laquelle les place la province. Cette réduction des crédits provinciaux a provoqué la hausse des impôts fonciers à un taux qui est le double de celui de l'inflation.



## AVIS CONTRAIRE DU NOUVEAU PARTI DÉMOCRATIQUE RELATIF AU RAPPORT PRÉ-BUDGÉTAIRE DE 1990 DU COMITÉ PERMANENT DES AFFAIRES ÉCONOMIQUES ET FINANCIÈRES

Devant les prévisions de ralentissement de l'économie, le gouvernement de l'Ontario a abandonné sa façade «libérale» pour révéler sa vraie nature : celle d'un parti conservateur. Le gouvernement libéral s'affaire maintenant à propager le message que 1990 sera une année de restrictions financières. La majorité libérale de ce comité accepte ce principe conservateur et recommande une ligne de conduite marquée au sceau de la restriction.

Le Nouveau Parti démocratique conteste cette défense du statu quo en sommant le gouvernement de mettre en oeuvre les réformes nécessaires pour rendre notre société équitable. Nous mettons aussi le gouvernement au défi d'adopter des politiques propres à assurer que la croissance économique, qu'elle soit forte ou modérée, soit compatible avec les principes d'une économie respectueuse de l'environnement.

L'Ontario regorge de ressources humaines et naturelles. Toutefois, le gouvernement provincial gaspille ces ressources en mettant en oeuvre des politiques qui menacent les ressources financières limitées des Ontariens à revenus faibles et moyens et qui nous empêchent d'avoir une économie productive qui ne détruise pas l'environnement.

La pauvreté généralisée qui existe dans notre province est une véritable honte. Plus d'un demi-million d'Ontariens, bénéficiaires de l'aide sociale, vivent au-dessous du seuil de la pauvreté. Chose encore plus triste, 200 000 d'entre eux sont des enfants. En outre, les faibles salaires sont encore plus nombreux que les pauvres qui touchent de l'aide sociale.

Le salaire minimum insuffisant de l'Ontario est l'une des principales raisons qui expliquent l'existence de la pauvreté dans notre province. Le fait de travailler à plein temps au salaire minimum de 5 \$ l'heure ne permet que de vivre bien au-dessous du seuil de la pauvreté. Qui plus est, la situation des travailleurs ontariens qui ne gagnent que le salaire minimum empiric. De 1975 à 1989, le salaire minimum est passé de 47 % à 38 % du salaire industriel moyen. Sous le présent gouvernement, la vie du travailleur rémunéré au salaire minimum devient encore plus dure.

**Avis contraire de MM. Karl Morin-Strom et Howard Hampton,  
du Nouveau Parti démocratique**

**ANNEXE A**

33. Le gouvernement devrait envisager un programme analogue au programme RTIEAFO qui montrerait la volonté du gouvernement d'aider les exploitants agricoles en temps de crise de taux d'intérêt élevés.\*
34. Les programmes d'aide actuels aux petits conditionneurs d'aliments devraient être élargis.\*
- \* Ces recommandations ont été adoptées à l'unanimité.

20. Le gouvernement devrait examiner la situation des travailleurs âgés de moins de 55 ans qui sont devenus chômeurs lorsque leur employeur a cessé d'exploiter son entreprise, mais qui n'ont pas accès aux programmes gouvernementaux actuels de formation ou de recyclage qui leur permettraient d'améliorer leurs aptitudes ou d'en acquérir de nouvelles.\*
21. La province devrait négocier avec le gouvernement fédéral et les autres provinces en vue d'établir une stratégie nationale en matière de recherche et développement.\*
22. Il y a lieu d'encourager le trésorier à placer plus de caisses de retraite disponibles dans la Société ontarienne d'aménagement municipal et d'encourager les municipalités à utiliser davantage ces fonds.
23. La province de l'Ontario devrait donner suite à l'entente financière tripartite visant à financer un programme de rénovation de l'infrastructure.\*
24. Les municipalités, la province et le gouvernement fédéral devraient envisager conjointement l'utilisation de corridors ferroviaires à des fins de transport commun.\*
25. Il faudrait réviser la contribution fiscale de l'industrie du camionnage à la construction et à l'entretien des routes.\*
26. Le gouvernement devrait réviser ses droits actuels d'immatriculation des camions-remorques.\*
27. Le gouvernement devrait étudier des exemples de surveillance de la vitesse des camions et autobus en vue de mettre en oeuvre des systèmes de contrôle électronique de leur vitesse continue et de leurs périodes de repos.
28. Le gouvernement devrait rechercher avec Ontario Hydro une entente sur les coûts qui encourage des formes de coproduction et de production parallèle d'électricité.\*
29. Le gouvernement devrait promouvoir, encourager et, au besoin, imposer la conservation de notre énergie et de nos ressources.\*
30. Le gouvernement devrait continuer à appuyer les initiatives de recyclage comme la «boîte bleue» et étudier la faisabilité d'un recyclage de tous les matériaux d'emballage, notamment les bouteilles de spiritueux et de vin.
31. Le gouvernement devrait encourager le monde des affaires à utiliser des matériaux recyclés.
32. Le gouvernement devrait rechercher activement de nouveaux marchés pour les matériaux recyclés.

10. Le province devrait collaborer avec le gouvernement fédéral à l'élaboration d'une politique nationale de garderies en vue d'offrir des garderies accessibles, abordables et de qualité.\*
11. La province devrait entreprendre des recherches sur la création d'une banque des aides à partager, au besoin, entre les personnes handicapées pour faciliter l'accès au programme d'appareils et des aides aux groupes de tout âge et à toutes fins, notamment pour faciliter l'accès à l'emploi.\*
12. Le Comité encourage le gouvernement à redoubler ses efforts pour faire en sorte qu'il y ait plus de débouchés d'emploi pour les personnes handicapées.
13. La province devrait trouver des moyens efficaces permettant de faire connaître au public le coût total des soins de santé.
14. Il faudrait accorder une priorité permanente aux efforts visant à rationaliser les installations et à améliorer la productivité au sein du système de soins de santé.
15. Le budget de 1990-1991 devrait augmenter de 2 \$ la taxe par cartouche de 200 cigarettes et de 2,50 \$ la taxe par 200 grammes de tabac haché fin.
16. Étant donné les augmentations de taxe sur le tabac, il faudrait accorder une aide supplémentaire aux producteurs de tabac pour faciliter la conversion à des cultures de remplacement.
17. Le ministre de l'Éducation devrait engager le plus tôt possible des pourparlers avec ses principaux partenaires en matière d'enseignement :
  - pour déterminer une méthode de calcul claire et compréhensible des frais engagés dans la prestation des services d'éducation imposés dans la Loi sur l'éducation et un moyen d'identifier les éléments de base des dépenses reconnues; et
  - pour élaborer un moyen rationnel de mettre à jour les calculs de coûts et la fixation des plafonds.
18. Le ministre de l'Éducation, en collaboration avec les conseils scolaires, devrait élaborer une stratégie globale d'investissement en immobilisations pour la rénovation d'écoles élémentaires et secondaires de l'Ontario ravagées par le temps.
19. Le Comité spécial de l'éducation devrait examiner la question de l'enseignement postsecondaire en Ontario, notamment le financement et le problème de la pénurie de professeurs par suite des départs à la retraite.\*



Le Comité permanent des affaires économiques et financières recommande ce qui suit :

1. Les points que le Comité devrait envisager à l'avenir préalablement au budget comprennent les déplacements dans des localités autres que Toronto. Le processus devrait commencer chaque année au début de janvier pour se terminer au plus tard à la mi-février.\*
2. Le budget provincial devrait présenter un tableau complet de la situation économique de l'Ontario et comprendre une large gamme d'indicateurs sociaux qui permettent une surveillance et une mesure des progrès dans les années à venir.\*
3. Il y aurait lieu de restreindre les niveaux des dépenses publiques, il ne devrait pas y avoir de grosses augmentations d'impôt et il faudrait faire des efforts en vue de réduire le déficit.
4. Il y aurait lieu d'explorer des moyens d'administrer conjointement la TPS et la taxe de vente provinciale.
5. Les observations du Conseil des ministres et du Conseil de gestion devraient comporter une section concernant l'impact sur les municipalités et les conseils scolaires d'initiatives provinciales que ces paliers de gouvernement sont tenus de mettre en oeuvre.
6. Le programme provincial Maisons pour de bon devrait être élargi pour encourager le logement sans but lucratif et le logement coopératif, en accordant notamment une attention particulière aux besoins d'habitation des personnes seules qui vivent actuellement dans des maisons de chambres.\*
7. Le gouvernement devrait continuer d'appuyer les initiatives visant à augmenter la densification du logement et affirmer à nouveau son engagement à utiliser les recettes provenant de la vente de terrains appartenant à la province pour appuyer les initiatives en matière de logement.\*
8. Le gouvernement devrait poursuivre la mise en oeuvre de la première étape du Comité d'examen de l'aide sociale et engager effectivement des négociations avec le gouvernement fédéral et tous les autres organismes concernés au sujet de la mise en oeuvre de la deuxième étape.\*
9. La province devrait collaborer effectivement avec les conseils scolaires et les groupes bénévoles en vue de coordonner et d'élargir les programmes de repas nutritifs dans les écoles.\*



peut se faire aux dépens des exploitants agricoles. L'organisme appuie le financement d'un programme d'ajustement pour le secteur ontarien de conditionnement des aliments.

#### Observations du Comité

Le Comité est heureux de recevoir les observations et recommandations du secteur agricole. En ce qui concerne le maintien du programme RTEAFO sous une forme ou l'autre, certains membres estiment qu'une aide en matière de taux d'intérêt n'est pas nécessairement utile à long terme, car elle dissuade les banques d'abaisser le taux d'intérêt. Qui plus est, le programme RTEAFO encourageait une certaine inégalité entre les exploitants agricoles, car il n'était pas utile, car il a permis à certains exploitants agricoles de lancer leur entreprise et il a fourni à d'autres l'aide dont ils avaient besoin.

Le Comité recommande à l'unanimité ce qui suit :

33. **Le gouvernement devrait envisager un programme analogue au programme RTEAFO qui montrerait la volonté du gouvernement d'aider les exploitants agricoles en temps de crise de taux d'intérêt élevés.**

Le Comité est sensible aux préoccupations relatives au secteur de conditionnement des aliments, mais il est également conscient des répercussions internationales éventuelles si le gouvernement était perçu comme accordant des subventions. L'aide devrait être soigneusement octroyée.

Le Comité recommande donc à l'unanimité ce qui suit :

34. **Les programmes d'aide actuels aux petits conditionneurs d'aliments devraient être élargis.**

Observations des témoins

La Fédération de l'agriculture de l'Ontario (OAF) déclare au Comité que les dépenses provinciales au chapitre de l'agriculture sont en baisse depuis les trois dernières années et représentent un peu plus de un pour cent du budget en 1989-1990. Deux importants programmes ont été touchés, le Programme de réduction des taux d'intérêt pour les exploitations agricoles familiales de l'Ontario (RTTEAFO), qui a été annulé, et le programme de réduction de l'impôt foncier, qui a été modifié.

L'exploitation agricole requiert de fortes immobilisations et son avenir dépend d'un investissement continu en technologie pour quelle reste compétitive. Comme les exploitants agricoles dépendent du financement de la dette en ce qui concerne leur investissement en immobilisations, ils sont sensibles aux fluctuations de taux d'intérêt. Etant donné les taux d'intérêt élevés en vigueur actuellement et une chute prévue du revenu net pour les exploitants agricoles de l'Ontario en 1990, ceux-ci ont besoin d'une aide financière. La Fédération estime qu'un programme à court terme d'aide en matière de taux d'intérêt aiderait les exploitants agricoles à effectuer les investissements nécessaires à la viabilité de leur exploitation. Il faut en outre élaborer un moyen à long terme d'aborder une politique de crédit à l'intention des exploitants agricoles.

Les exploitants agricoles ont traditionnellement bénéficié d'une réduction de l'impôt foncier. Les modifications apportées dans le budget de 1989 ont resserré les conditions d'admissibilité en introduisant des restrictions sur le niveau de revenu non agricole. La Fédération fait valoir que la propriété et le niveau de revenu non agricole sont sans rapport avec la réduction et qu'il faut entreprendre une réforme complète du système de l'impôt foncier, faute de quoi les exploitants agricoles de l'Ontario devraient bénéficier d'un allègement de l'impôt foncier consacré dans un texte de loi.

La Fédération décrit aussi les difficultés que les conditionneurs d'aliments rencontrent sur le plan de la concurrence, mais elle souligne que l'aide aux conditionneurs d'aliments ne

Le Comité appuie l'usage du recyclage comme un moyen de promouvoir la conservation et de s'attaquer au problème des sites d'enfouissement. Il constate le succès du programme «boîte bleue» de collecte de matériaux choisis à des fins de recyclage, mais a quelques réserves touchant l'ampleur du marché potentiel pour ces matériaux recyclés.

Le Comité recommande ce qui suit :

30. Le gouvernement devrait continuer à appuyer les initiatives de recyclage comme la «boîte bleue», et étudier la faisabilité d'un recyclage de tous les matériaux d'emballage, notamment les bouteilles de spiritueux et de vin.

Le Comité recommande également ce qui suit :

31. Le gouvernement devrait encourager le monde des affaires à utiliser des matériaux recyclés.

Le Comité recommande en outre ce qui suit :

32. Le gouvernement devrait rechercher activement de nouveaux marchés pour les matériaux recyclés.

Dans son mémoire détaillé, l'Ontario Natural Gas Association souève, entre autres sujets, la question d'une mise en valeur acceptable. Elle cite des débouchés comme la mise au point de véhicules au gaz naturel ainsi que l'utilisation d'une production parallèle d'électricité en vue de réaliser de nouveaux gains en matière d'efficacité et de conservation de l'énergie et de réduire les effets défavorables sur l'environnement de la combustion de combustibles fossiles. L'association déclare toutefois que les taux de rachat anormalement peu élevés d'Ontario Hydro sont trop bas pour encourager la création d'une industrie viable de production d'électricité distincte d'un service public.

#### Observations du Comité

Le Comité remarque que, grâce à la création du Comité spécial de l'énergie, le gouvernement examine les secteurs dans lesquels l'énergie peut avoir des effets défavorables sur l'environnement. Il appuie l'examen de ces deux questions réunies par le Comité spécial de l'énergie.

Le Comité reconnaît que la production parallèle d'énergie contribuerait de façon importante à l'offre d'une énergie peu coûteuse, moins polluante. Ontario Hydro se sert de son coût moyen de production d'électricité comme base pour le prix qu'elle paiera pour incorporer l'électricité produite ailleurs dans son système de distribution. Le Comité craint que la méthode utilisée par Ontario Hydro pour calculer son coût fournisse un point de comparaison irréllement bas et décourage une production parallèle.

Le Comité recommande donc à l'unanimité ce qui suit :

28. Le gouvernement devrait rechercher avec Ontario Hydro une entente sur les coûts qui encourage des formes de coproduction et de production parallèle d'électricité.

Le Comité recommande en outre à l'unanimité ce qui suit :

29. Le gouvernement devrait promouvoir, encourager et, au besoin, imposer la conservation de notre énergie et de nos ressources.



Les rapports entre l'environnement et la mise en valeur économique sont devenus une question centrale dans bien des provinces et territoires. Les décisions prises dans l'avenir en matière d'investissement devront tenir compte non seulement de critères financiers et économiques, mais encore d'une évaluation de leur effet à long terme sur l'environnement et sur une mise en valeur acceptable.

La politique gouvernementale peut jouer un rôle en influant sur ces décisions. Certains groupes prient le gouvernement de l'Ontario d'encourager l'élaboration et l'utilisation de technologies sans dommage sur l'environnement au moyen d'encouragements économiques et en favorisant un climat de recherche environnementale par l'industrie. L'Ontario Natural Gas Association (ONGA) encourage en outre le gouvernement à travailler, de concert avec le gouvernement fédéral et d'autres gouvernements provinciaux, à l'élaboration d'une stratégie nationale sur l'environnement, énonçant des principes, des objectifs et des normes. Étant donné que la dégradation de l'environnement ne respecte pas les frontières politiques, cette stratégie comporterait une définition du rôle et des responsabilités de chacun des trois paliers de gouvernement.

D'autres groupes soulignent l'importance de l'énergie, non seulement à cause de sa contribution à la vitalité économique de la province et du confort de ses citoyens, mais aussi à cause de son impact sur l'environnement.

La Municipal Electric Association fait valoir que comme l'électricité est essentielle à la vie moderne, l'imposition d'une taxe sur son utilisation est une mesure régressive qui trappe particulièrement les pauvres et les personnes âgées. Elle signale également que des audiences publiques plus expéditives et davantage axées sur les révisions de tarif ou les questions environnementales auraient pour effet un meilleur équilibre entre les objectifs que constituent la participation du public, la protection de l'environnement et la valeur du service pour le contribuable.

pourparlers avec le gouvernement fédéral sur l'utilisation de corridors ferroviaires pour le transport en commun.

Le Comité recommande donc à l'unanimité ce qui suit :

24. Les municipalités, la province et le gouvernement fédéral devraient envisager conjointement l'utilisation de corridors ferroviaires à des fins de transport en commun.

Les membres du Comité s'inquiètent de l'impact que les camions et remorques ont sur les routes provinciales et municipales et se demandent si les droits et les taxes imposés aux utilisateurs commerciaux sont en proportion de leur utilisation. Les membres du Comité examinent des moyens qui permettraient d'évaluer la contribution financière des camions et remorques en fonction de leur impact sur le réseau routier. Il s'agirait, par exemple, de structurer les droits de permis de remorque en fonction du nombre d'essieux et du poids brut de la remorque, ou de s'enquérir d'un système utilisé ailleurs pour surveiller la vitesse de chaque camion et autobus.

Le Comité recommande donc à l'unanimité ce qui suit :

25. Il faudrait réviser la contribution fiscale de l'industrie du camionnage à la construction et à l'entretien des routes.

Le Comité recommande aussi à l'unanimité ce qui suit :

26. Le gouvernement devrait réviser ses droits actuels d'immatriculation des camions-remorques.

Le Comité recommande également ce qui suit :

27. Le gouvernement devrait étudier des exemples de surveillance de la vitesse des camions et autobus en vue de mettre en oeuvre des systèmes de contrôle électronique de leur vitesse continue et de leurs périodes de repos.



l'onnage des camions et l'amoindrissement des subventions de la province pour la réparation des ponts et chaussées.

La province a engagé 2 milliards de dollars sur cinq ans à un programme d'immobilisations dans les transports visant les routes, les grand-roules et les programmes de circulation. Même si cette initiative est la bienvenue, on se demande si elle sera suffisante pour résoudre le problème de la détérioration du réseau routier ou pour en faire profiter les routes municipales. Par exemple, la ville de Toronto demande un plus grand appui dans le budget à la rénovation de l'infrastructure et du transport, au moment où la détérioration de l'infrastructure de la ville a un effet défavorable sur la qualité de la vie et la vitalité économique. La ville s'inquiète, en particulier, du financement de transports en commun supplémentaires étant donné qu'elle atteint un taux d'engorgement d'un grand nombre de ses rues principales. Elle invite la province à obtenir le contrôle des corridors ferroviaires qui traversent la ville en vue d'accélérer la mise en oeuvre de systèmes de circulation rapide.

L'Association canadienne des automobilistes (Ontario) signale que, bien que les véhicules automobiles soient une nécessité pour les trois quarts de la population active de l'Ontario qui n'ont pas d'autre moyen de se rendre au travail, l'utilisation des véhicules automobiles est lourdement taxée. Elle propose que les camions, qui constituent un fardeau plus lourd sur le réseau routier, soient taxés en conséquence. Elle propose en outre que les taxes sur les véhicules automobiles soient traitées comme des droits d'utilisateur et que les recettes servent à financer le réseau routier.

L'Ontario Cable Telecommunications Association décrit au Comité les difficultés que les taxes de vente fédérale et provinciale causent aux abonnés du câble. L'impact du coût des systèmes de câblodistribution là où l'offre est restreinte (Systèmes de la Partie III selon la définition du CRTC) sur les abonnés du Nord de l'Ontario est particulièrement inquiétant.

## Observations du Comité

Le Comité estime qu'il est important d'insister sur le transport en commun dans les zones urbaines et que la construction de nouvelles routes dans les centres urbains a davantage aggravé qu'atténué les problèmes de congestion. Il reconnaît que la province devrait entamer des

l'infrastructure. L'Association des constructeurs d'habitants de l'Ontario propose, entre autres mesures, le financement par obligations municipales exemptées d'impôt et la péréquation de l'imposition pour les localités-dortoirs.

#### Observations du Comité

Le Comité est sensible aux problèmes de financement des rénovations d'infrastructure et de conformité aux exigences de la SMID. Il estime qu'il peut être nécessaire de trouver des moyens innovateurs permettant d'aborder le financement de la croissance et de la rénovation de l'infrastructure. Le gouvernement pourrait, par exemple, étudier le recours à des obligations exemptées d'impôt ou des fonds du RPC ou examiner les programmes passés de la Commission des ressources en eau de l'Ontario.

Le Comité recommande ce qui suit :

22. Il y a lieu d'encourager le trésorier à placer plus de caisses de retraite disponibles dans la Société ontarienne d'aménagement municipal et d'encourager les municipalités à utiliser davantage ces fonds.

Le Comité remarque qu'il y a eu des négociations tripartites entre les municipalités, la province et le gouvernement fédéral sur des ententes à frais partagés, mais que ces négociations n'ont pas été couronnées de succès.

Le Comité recommande donc à l'unanimité ce qui suit :

23. La province de l'Ontario devrait donner suite à l'entente financière tripartite visant à financer un programme de rénovation de l'infrastructure.

#### **Transports et communications**

#### Observations des témoins

L'Association canadienne des automobilistes (Ontario) déclare que les ponts et chaussées de la province se sont sensiblement détériorés. Le problème est aggravé par l'accroissement du

Le Comité observe que certaines initiatives de la province, ces dernières années, comme la création d'un fonds pour la technologie et de Centres d'excellence, ont en partie répondu à la nécessité de mettre davantage l'accent sur la R et D. L'Ontario et le Québec réunis semblent avoir les encouragements fiscaux à la R et D parmi les plus généreux par industrie en Amérique du Nord. Le Premier ministre a proposé un objectif national de dépenses en R et D atteignant au total 2,5 % du PIB dans les dix prochaines années. L'Ontario, province-pilote en recherche et développement, serait tenue d'assurer une importante contribution à la réalisation de cet objectif national. Le Comité accueille favorablement la proposition que l'on puisse considérer une stratégie nationale de R et D visant à coordonner les efforts fédéraux et provinciaux comme un moyen de renforcer cet important secteur.

Le Comité recommande donc à l'unanimité ce qui suit :

**21. La province devrait négocier avec le gouvernement fédéral et les autres provinces en vue d'établir une stratégie nationale en matière de recherche et développement.**

**Infrastructure**

Observations des témoins

L'infrastructure des réseaux d'adduction d'eau et d'égouts dans les municipalités de l'Ontario fait l'objet de pressions exercées par diverses sources : l'aménagement d'une infrastructure dans des zones de croissance urbaine rapide; la rénovation et l'expansion de l'infrastructure existante; les améliorations pour se conformer aux exigences de la Stratégie municipale et industrielle de dépollution (SMID) pour lutter contre la pollution. Une infrastructure vieille ou inadéquate peut constituer une menace à l'hygiène et un obstacle à la croissance économique. En outre, l'absence de lutte contre la pollution peut endommager l'environnement. Bien que les municipalités puissent se servir des frais d'aménagement pour fournir l'infrastructure nécessaire à de nouveaux aménagements, plusieurs délégations insistent sur l'importance d'améliorer le financement d'immobilisations pour améliorer une infrastructure vieille ou inadéquate. Des organismes comme l'Institut d'aménagement urbain proposent que les recettes provenant des droits de cession immobilière soient affectées à un programme de dépenses consacrées à

Si le succès de l'Ontario dans l'économie mondiale dépend en partie de son aptitude à innover et à suivre le rythme d'exigences en perpétuelle évolution, il devient impératif d'encourager l'existence d'un secteur prospère de recherche et développement (R et D). Une stratégie de R et D peut exiger le dépistage des technologies à importer et la concentration sur d'autres technologies s'il est avantageux pour l'Ontario de créer de nouveaux et meilleurs produits. On pourrait aussi s'intéresser au financement d'établissements qui réalisent de la recherche de base, notamment les universités.

Le Canada et l'Ontario ont traditionnellement consacré une proportion relativement faible de leur produit intérieur brut à la R et D. Selon le ministère du Trésor et de l'Économie, en 1987, les dépenses de l'Ontario en R et D représentaient 1,8 % du PIB, contre 2,6 % aux États-Unis. Même si l'Ontario se comporte relativement bien en matière de recherche et développement au Canada, il traîne loin derrière la plupart des États des É.-U. auxquels notre province fait concurrence. Le ministère croit toutefois que l'on peut attribuer la différence entre les taux de R et D des deux pays aux crédits de R et D affectés à la défense aux É.-U. Si l'on ne tient pas compte du secteur de la défense, l'Ontario dépense proportionnellement autant en R et D que les États-Unis. Il reste que si le taux de R et D du gouvernement et des universités de l'Ontario est relativement élevé, il reste faible dans le secteur décisif de l'industrie. Cette faiblesse peut être le résultat d'un niveau élevé de propriété étrangère et de la taille relativement modeste du secteur de technologie de pointe.

L'Ontario Natural Gas Association se félicite des initiatives du secteur public régional qui ont été prises pour améliorer le taux de R et D, tout en soulignant que le Canada a besoin d'une stratégie nationale de R et D qui soit claire et orientée. Cette stratégie nationale fournirait un cadre solide pour une bonne mise en valeur et coordination des efforts fédéraux et provinciaux.



qui fera en sorte que la population active de la province restera compétitive sur le plan national et international.

La Fédération du travail de l'Ontario (FTO) exprime son inquiétude devant la situation des travailleurs qui perdent leur salaire ou leurs prestations par suite de l'insolvabilité d'une entreprise. Elle estime que l'on pourrait prévoir un certain nombre de dispositifs pour procurer une indemnisation financière à ces travailleurs. Ces dispositifs comprennent une caisse d'assurance à financer par un impôt sur les salaires, une indemnité versée à même le Trésor ou la permission accordée aux travailleurs concernés de se prévaloir d'un crédit d'impôt provincial sur le revenu équivalent aux pertes subies.

La FTO attire également l'attention du Comité sur la situation des femmes qui ne sont pas couvertes par la Loi sur l'équité salariale, dans les cas où il n'y a pas de comparaison possible avec des hommes ou dans les petites entreprises privées. La FTO recommande que le gouvernement constitue une caisse particulière participant dans ce genre de cas aux coûts de rajustement au titre de l'équité salariale.

#### Observations du Comité

Le Comité craint que certains programmes de formation professionnelle ne fonctionnent pas aussi bien qu'ils le pourraient. Il estime qu'une bonne partie de la formation professionnelle est axée sur les jeunes et non sur ceux qui ont perdu leur emploi. Le Comité est particulièrement inquiet des difficultés rencontrées par des ouvriers âgés cherchant à améliorer ou à acquérir la formation nécessaire pour occuper un nouvel emploi, spécialement par ceux qui ne sont pas en mesure de bénéficier d'une retraite anticipée.

Le Comité recommande donc à l'unanimité ce qui suit :

20. Le gouvernement devrait examiner la situation des travailleurs âgés de moins de 55 ans qui sont devenus chômeurs lorsque leur employeur a cessé d'exploiter son entreprise, mais qui n'ont pas accès aux programmes gouvernementaux actuels de formation ou de recyclage qui leur permettraient d'améliorer leurs aptitudes ou d'en acquérir de nouvelles.

McMaster suggère le remplacement des subventions de fonctionnement par un système de fonds précis comme un fonds de recherche, un fonds de bibliothèque, etc., et le Conseil des universités de l'Ontario estime que l'on pourrait offrir un financement supplémentaire au moyen d'un fonds d'excellence. L'Institut C.D. Howe plaide en faveur d'un système de bons aux étudiants, accompagné d'une augmentation des frais de scolarité, en particulier pour les programmes de profession libérale où les rendements personnels sont élevés. Le syndicat des étudiants de McMaster n'est pas d'accord et fait valoir que le financement supplémentaire des universités ne doit pas être obtenu en plaçant le fardeau sur les épaules des étudiants.

#### Observations du Comité

Le Comité craint qu'il n'y ait d'importantes questions concernant l'enseignement postsecondaire qui méritent l'attention de l'Assemblée législative. Aussi recommande-t-il à l'unanimité ce qui suit :

19. Le Comité spécial de l'éducation devrait examiner la question de l'enseignement postsecondaire en Ontario, notamment le financement et le problème de la pénurie de professeurs par suite des départs à la retraite.

#### Adaptation des travailleurs

#### Préoccupations des témoins

Les changements rapides survenus dans l'économie ontarienne ont des répercussions sur le marché du travail. Les réactions aux pressions de la concurrence internationale, l'évolution de la technologie, les changements d'ordre démographique et la réimplantation des entreprises à l'intérieur de la province donnent lieu à un besoin croissant de formation et de recyclage des travailleurs. Les programmes existants offerts par le ministère de la Formation professionnelle comprennent notamment le programme Transition pour les travailleurs âgés de plus de 45 ans, le Programme de formation de base et le programme Recyclage de la main-d'œuvre qualifiée. Les politiques de formation professionnelle peuvent être à la fois proactives, en dotant les travailleurs d'une formation pour l'avenir, et réactives, en les aidant à s'adapter aux mises à pied. Une politique concertée de formation professionnelle constituera un facteur important



Le Comité est sensible à la nécessité d'une stratégie permettant de rénover les vieilles écoles de l'Ontario. Il estime qu'une forte proportion des fonds d'immobilisations est affectée à de nouvelles écoles et que l'on n'accorde pas assez d'attention à la rénovation des écoles existantes.

Le Comité recommande donc ce qui suit :

18. Le ministre de l'Éducation, en collaboration avec les conseils scolaires, devrait élaborer une stratégie globale d'investissement en immobilisations pour la rénovation d'écoles élémentaires et secondaires de l'Ontario ravagées par le temps.

#### Enseignement postsecondaire

#### Observations des témoins

Le Comité entend la déposition du secteur universitaire sur ce que ce dernier estime être l'état critique des universités de l'Ontario. Par exemple, l'Union des associations des professeurs des universités de l'Ontario (UAPUO) observe que l'enseignement postsecondaire sera probablement à l'avenir compromis par une grave pénurie de professeurs tandis que le Conseil des universités de l'Ontario signale l'insuffisance de l'équipement, des bibliothèques et des bâtiments. Des insuffisances et pénuries de ce genre ont un effet non seulement sur le perfectionnement personnel des étudiants et des futurs travailleurs mais aussi sur l'aptitude des universités à atteindre l'excellence en matière de recherche.

En outre, ces groupes soulignent que les universités doivent maintenir une politique d'accessibilité et couvrir des frais supplémentaires obligatoires comme l'Impôt-santé des employeurs et l'équité salariale. En même temps, elles sont tributaires de la province pour leurs recettes et ne sont pas en mesure de combler l'écart entre recettes et dépenses par un financement innovateur. Des groupes comme le Conseil des universités de l'Ontario et le syndicat des étudiants de McMaster estiment qu'il devrait y avoir un dialogue entre les universités, le gouvernement et les étudiants pour examiner le mandat des universités et créer les moyens d'appui qui permettent aux universités de remplir ce mandat. L'UAPUO propose, par exemple, la création d'un fonds de croissance du corps professoral et la tenue d'une enquête sur les façons d'attirer et de garder des professeurs. Le syndicat des étudiants de

particulièrement inquiets des exigences croissantes imposées aux conseils scolaires par suite des programmes obligatoires et de la croissance rapide des secteurs déterminés. Ils sont également inquiets de l'effet de la loi sur la mise en commun des évaluations sur les conseils scolaires publics et du mécanisme de calcul des niveaux de financement.

Un point important est la question de savoir comment sont fixés les plafonds de subventions provinciales et si ces plafonds sont en rapport avec la suffisance et le coût réel de l'enseignement. Les témoins font remarquer que la recommandation n° 3 du récent Troisième rapport du Comité spécial de l'éducation, suggérant des consultations entre le ministère de l'Éducation et ses principaux partenaires en matière d'enseignement pour déterminer une méthode de calcul claire des frais de fonctionnement et d'équipement des services éducatifs, ainsi qu'un moyen rationnel de mettre à jour le calcul de coûts et la fixation des plafonds et de leurs éléments, a reçu l'appui d'un grand nombre d'intéressés qui se sont présentés devant le Comité.

#### Observations du Comité

Le Comité reconnaît qu'il est nécessaire de se pencher sur le principe qui régit l'octroi des subventions aux conseils scolaires. Il estime que les questions relatives à la méthode de fixation du plafond devraient être examinées et qu'une nouvelle entente devrait être élaborée entre la province et les conseils scolaires.

Le Comité fait donc sienne la recommandation n° 3 du Troisième rapport du Comité spécial de l'éducation, à savoir :

17. Le ministre de l'Éducation devrait engager le plus tôt possible des pourparlers avec ses principaux partenaires en matière d'enseignement :
  - pour déterminer une méthode de calcul claire et compréhensible des frais engagés dans la prestation des services d'éducation imposés dans la Loi sur l'éducation et un moyen d'identifier les éléments de base des dépenses reconnues; et
  - pour élaborer un moyen rationnel de mettre à jour les calculs de coûts et la fixation des plafonds.

## INVESTIR DANS L'AVENIR

Étant donné que, selon le document Perspectives économiques et revue budgétaire, presque la moitié du produit provincial brut de l'Ontario est destinée à l'exportation, l'économie ontarienne est étroitement reliée aux économies d'autres provinces et pays. Cette interdépendance n'a fait que s'accroître sous l'effet de facteurs comme les accords d'échanges bilatéraux et multilatéraux (par exemple, l'Accord de libre-échange Canada - E.-U. et la ronde des pourparlers de l'Uruguay dans le cadre du GATT), les stratégies mondiales de sociétés multinationales et l'adoption rapide de nouvelles technologies. La réalisation prévue d'un marché européen unique en 1992 et le succès des économies en voie d'industrialisation risquent également d'accroître les pressions de concurrence sur l'économie ontarienne.

Un des principaux thèmes fondamentaux qu'a entendus le Comité au cours des consultations pré-budgétaires est celui de la restriction des dépenses. Bien que le Comité soit généralement d'accord avec ce sentiment, il croit néanmoins qu'il est essentiel d'investir dans les ressources humaines et physiques de la province pour maintenir et améliorer à l'avenir la position internationale de l'Ontario. Pour être en mesure de s'adapter aux pressions de la concurrence, il faut, entre autres, une population active instruite et bien formée ainsi que des systèmes d'infrastructure et de transport efficaces. Il a été déclaré au Comité que des dépenses en immobilisations en matière d'infrastructure pourraient faire partie d'une politique budgétaire opportune pendant le ralentissement attendu à condition que ces dépenses aient lieu dans le cadre d'un programme général de restriction des dépenses.

## Éducation

### Enseignement élémentaire et secondaire

#### Observations des témoins

L'excellence en éducation est un facteur important à envisager si l'on veut que la population de l'Ontario mette en oeuvre toutes ses possibilités, et un financement suffisant est un élément majeur qui permet d'offrir cette éducation. Plusieurs conseils scolaires et groupes reliés à l'éducation ont soulevé la question du financement insuffisant de l'éducation. Ils sont

Compte tenu des inquiétudes au sujet des coûts des soins de santé, le Comité recommande ce qui suit :

13. La province devrait trouver des moyens efficaces permettant de faire connaître au public le coût total des soins de santé.

Le Comité recommande également ce qui suit :

14. Il faudrait accorder une priorité permanente aux efforts visant à rationaliser les installations et à améliorer la productivité au sein du système de soins de santé.

Le Comité accueille favorablement l'idée d'utiliser les dispositifs fiscaux pour atteindre un objectif d'hygiène publique comme la réduction de la consommation de tabac. Dans ce cas particulier, il serait souhaitable de tirer parti des distorsions économiques causées par l'augmentation de la taxe sur le tabac. Le Comité envisage également la possibilité d'affecter un pourcentage déterminé des profits des loteries aux fins de traitement et de réadaptation des toxicomanes.

Le Comité recommande donc ce qui suit :

15. Le budget de 1990-1991 devrait augmenter de 2 \$ la taxe par cartouche de 200 cigarettes et de 2,50 \$ la taxe par 200 grammes de tabac haché fin.

Le Comité recommande également ce qui suit :

16. Étant donné les augmentations de taxe sur le tabac, il faudra accorder une aide supplémentaire aux producteurs de tabac pour faciliter la conversion à des cultures de remplacement.



axés sur la collectivité ne soient en place. Même si elle appuie généralement ces modifications à apporter au système de santé, l'Ontario Hospital Association estime que pour maintenir les niveaux de service actuels et se conformer à des politiques provinciales comme l'impôt-santé des employeurs, les hôpitaux ont besoin de fonds d'exploitation supplémentaires de 138 millions de dollars.

L'Association pour la Santé Publique de l'Ontario examine le concept d'«ordre public sain», qui est un souci explicite de santé et d'équité dans tous les domaines d'ordre public, non seulement la santé. Par exemple, les politiques relatives au développement de l'enfant, à l'environnement, à l'habitation ou au marché du travail ont une influence sur la santé humaine. L'Association indique que ce concept rejoint le travail du Conseil du premier ministre sur la santé et propose que les mécanismes organisationnels soient mis en place de sorte que toutes les observations futures du ministre au Conseil des ministres contiennent une indication concernant l'impact de cette mesure sur la santé.

Une autre suggestion formulée par l'Association pour la Santé Publique de l'Ontario ainsi que par une coalition d'organismes de protection de la santé et de lutte contre l'usage du tabac est de recourir à une augmentation soudaine du prix du tabac pour obtenir une réduction de la consommation. Ces organismes proposent des augmentations de taxe de 4 \$ par cartouche de 200 cigarettes et de 5 \$ par 200 grammes de tabac haché fin. En outre, il pourrait y avoir un impôt spécial de 1 \$ par cartouche de 200 cigarettes, dont la recette pourrait servir à financer une fondation qui encouragerait les soins de santé communautaires.

Le Hockey Development Centre Ontario (HDCO) souligne devant le Comité l'importance du sport pour le bien-être des Ontariens. Le HDCO travaille de concert avec le gouvernement pour encourager la sécurité dans le hockey, mais il fait valoir que l'engagement financier réduit du gouvernement restreint son aptitude à offrir des installations communautaires sûres et suffisantes.

Le Comité recommande à l'unanimité ce qui suit :

11. La province devrait entreprendre des recherches sur la création d'une banque des aides à partager, au besoin, entre les personnes handicapées pour faciliter l'accès au programme d'appareils et des aides aux groupes de tout âge et à toutes fins, notamment pour faciliter l'accès à l'emploi.
- Autre recommandation du Comité :

12. Le Comité encourage le gouvernement à redoubler ses efforts pour faire en sorte qu'il y ait plus de débouchés d'emploi pour les personnes handicapées.

## Soins de santé

### Observations des témoins

Plusieurs témoins observent que les soins de santé représentent maintenant près d'un tiers du budget provincial et que l'augmentation des coûts des soins de santé est devenue un sujet d'inquiétude.

La Chambre de commerce de l'Ontario estime que l'on devrait accorder une plus haute priorité aux efforts visant à rationaliser les établissements et à améliorer la productivité à l'intérieur du système de soins de santé. La Banque de Nouvelle-Ecosse propose de même que l'on mette l'accent sur la prestation d'un service de « qualité » et sur un meilleur rendement des sommes dépensées. Plusieurs groupes croient qu'un élément important des efforts en vue de diminuer les coûts serait de trouver de bons moyens de faire connaître au public le prix total des soins de santé. Par exemple, on pourrait exiger des frais d'utilisateur, ou encore les factures présentées au RAMO pourraient être communiquées au patient. L'Institut C.D. Howe propose que le Régime de médicaments gratuits de l'Ontario soit restructuré de sorte que les personnes qui ont les moyens de payer leurs médicaments soient tenues de le faire.

L'Ontario Hospital Association exprime la crainte qu'une brèche de service ne prenne forme dans le système de soins de santé par suite des pressions financières qui amèneraient les hôpitaux à réduire leurs services avant que des systèmes de remplacement de type préventif et



la vie de chaque jour et permettront aux plus jeunes de s'instruire et d'exercer un emploi utile. Le programme d'appareils et de prothèses procure ces aides aux enfants et aux jeunes adultes jusqu'à l'âge de 26 ans ainsi qu'aux personnes de plus de 65 ans. Mais les adultes qui ont les facultés visuelles affaiblies et ont l'âge de travailler sont exclus de ce programme. Le gouvernement a l'intention d'élargir ce programme pour qu'il couvre tous les âges, mais cette mesure n'est pas encore appliquée. Plusieurs groupes incitent le gouvernement à appuyer la mise en oeuvre complète du programme d'appareils et de prothèses, ce qui supprimerait ainsi notamment la discrimination selon l'âge pour la prestation d'aides visuelles et faciliterait ainsi l'indépendance et la confiance en soi des personnes atteintes de ce handicap. On souligne que le fait de permettre aux personnes handicapées d'exercer un emploi, entraînerait une réduction du coût de l'aide sociale. De même, l'élargissement du financement aux services de garde et d'aide à domicile encouragerait les handicapés à mener une vie indépendante et réduirait les frais de séjour en institution qui pourraient être autrement nécessaires.

### Observations du Comité

Le Comité a été impressionné par la qualité des groupes qui, représentant les personnes handicapées, se sont présentés devant le Comité pour plaider en faveur de ces personnes. Il croit qu'une bonne partie de leurs préoccupations seront prises en compte dans le cadre des réformes de l'aide sociale.

Aux yeux du Comité, il est évident qu'il existe une demande logique d'étendre le programme d'appareils et de prothèses à toutes les catégories d'âge, particulièrement en ce qui concerne les aides visuelles et de communication. Le Comité reconnaît que l'élargissement des paiements d'aide financière pour ces appareils aux personnes en âge de travailler est particulièrement importante afin de leur permettre d'exercer un emploi valable et de mener une vie indépendante.

Le Comité recommande donc à l'unanimité ce qui suit :

9. La province devrait collaborer effectivement avec les conseils scolaires et les groupes bénévoles en vue de coordonner et d'élargir les programmes de repas nutritifs dans les écoles.

En outre, le Comité recommande à l'unanimité ce qui suit :

10. La province devrait collaborer avec le gouvernement fédéral à l'élaboration d'une politique nationale de garderies en vue d'offrir des garderies accessibles, abordables et de qualité.

## Personnes handicapées

### Observations des témoins

Les personnes handicapées sont heureuses de savoir que les réformes énoncées dans *Transitions* sont en voie de réalisation, mais elles sont inquiètes de constater que ces améliorations ne font qu'aborder les problèmes causés par la pauvreté permanente des Ontariens handicapés. Le lien subsiste entre la pauvreté et le handicap. Selon les preuves présentées, les personnes handicapées constituent le groupe le plus nombreux parmi les chefs de ménage qui ont recours aux banques d'aliments du Grand Toronto. Le recours à ces banques, qui constitue un deuxième système d'aide sociale pour les personnes handicapées, illustre aussi les insuffisances du système actuel d'aide sociale. Le gouvernement est prié de poursuivre la mise en oeuvre des recommandations du rapport *Transitions*, et en particulier de relever le niveau des prestations. Income Maintenance for the Handicapped Coordinating Group et PUSH-Ontario recommandent une augmentation des niveaux d'aide sociale de 5 % supérieure au taux d'inflation. Ces réformes ne devraient toutefois pas être réalisées aux dépens des programmes établis et des expansions de programme annoncées en faveur des handicapés.

Le «Centre for Independent Living» déclare au Comité qu'il y a quelque 60 000 personnes dans la province qui soit sont aveugles, soit ont les facultés visuelles affaiblies, la plupart d'entre eux étant des personnes âgées. Des aides visuelles et de communication permettront aux personnes âgées aveugles ou ayant les facultés visuelles affaiblies d'avoir une certaine indépendance dans

une femme et qu'entre autres choses, l'accès à une garde d'enfants adéquate et abordable est essentiel pour permettre au parent seul de travailler ou de suivre une formation.

La province est priée d'entamer des pourparlers avec le gouvernement fédéral sur une stratégie nationale et d'accorder une haute priorité à l'élimination de la pauvreté. Pour se rapprocher de cet objectif, des groupes comme le réseau du Comité d'examen de l'aide sociale de l'Ontario recommandent de faire de la suffisance du taux de prestation une priorité importante du prochain budget.

#### Observations du Comité

Le Comité accueille favorablement la proposition selon laquelle les paliers de gouvernement fédéral et provincial devraient élaborer de concert une stratégie nationale visant à réduire la pauvreté. En Ontario, le Comité est convaincu de l'importance qu'il y a de poursuivre les réformes de l'aide sociale énoncées dans le rapport *Transitions* du Comité d'examen de l'aide sociale, qui constituent un bon moyen de se rapprocher de l'objectif. Il appuie les groupes qui comptent bien que le gouvernement fera honneur à ses engagements, poursuivra la mise en oeuvre de la première étape de la réforme et entreprendra ensuite la deuxième étape.

Le Comité recommande donc à l'unanimité ce qui suit :

8. **Le gouvernement devrait poursuivre la mise en oeuvre de la première étape du Comité d'examen de l'aide sociale et engager effectivement des négociations avec le gouvernement fédéral et tous les autres organismes concernés au sujet de la mise en oeuvre de la deuxième étape.**

Le Comité est ému par les descriptions de l'impact de la pauvreté sur les enfants et, en particulier, sur les effets de la faim. Il appuie la proposition que l'on devrait offrir des repas à l'école aux enfants dans le besoin et il croit que cette mesure aurait des avantages économiques et sociaux pour les enfants et pour la province. Il croit que la province devrait immédiatement engager des pourparlers avec les conseils scolaires sur cette question.

Au cours des consultations pré-budgétaires de 1990, le ministre des Services sociaux et communautaires s'est présenté devant le Comité pour le mettre au courant de la situation de ces réformes. Les premiers changements sont entrés en vigueur en octobre 1989 avec le lancement du Programme d'intégration sociale et de transition à l'emploi (PISTE) qui supprime les obstacles financiers au travail à temps plein pour les bénéficiaires de l'aide sociale. Les autres réformes entreprises comprennent l'augmentation de l'aide procurée aux bénéficiaires de l'aide sociale qui cherchent du travail, une augmentation de 54 millions de dollars des allocations de base pour les familles ayant des enfants et un financement destiné à rendre plusieurs éléments du système d'aide sociale plus simple et plus équitable. En janvier 1990, de nouvelles réformes ont apporté une augmentation de 6 % des taux d'aide sociale et une amélioration de 119 millions de dollars apportée au système d'allocation-logement. Le ministre a commencé à travailler à une fusion de la Loi sur les prestations familiales et de la Loi sur l'aide sociale générale et a l'intention d'entreprendre de vastes consultations avec la population sur ces réformes législatives.

Plusieurs groupes applaudissent aux mesures prises pour réformer le système d'aide sociale, mais expriment leurs craintes que le sens de l'urgence se dissipe et que les réformes puissent n'être pas menées à bonne fin. Ils soulignent qu'il est vital de poursuivre les réformes prévues pour la première étape du rapport du Comité d'examen de l'aide sociale et de passer ensuite à la deuxième étape.

Certains soulignent qu'il reste de nombreux aspects de la pauvreté, notamment la présence dans les écoles d'enfants mal nourris et en mauvaise santé et l'existence fréquente de banques d'aliments. Des témoins comme la Fédération of Women Teachers' Association of Ontario et l'Affordable Housing Action Group parlent avec éloquence des problèmes de la pauvreté chez l'enfant. Ils déclarent que l'insuffisance de l'aide sociale et le coût élevé du logement se reflètent chez les enfants qui sont mal nourris et mal vêtus et que les enfants qui grandissent dans la pauvreté risquent davantage de rester pauvres à l'âge adulte, soit qu'ils vivent alors en bénéficiaires de l'aide sociale ou qu'ils mènent une vie moins productive qu'ils ne le pourraient. La Fédération of Women Teachers' Association of Ontario attire également l'attention sur le fait que plus de 60 % des enfants pauvres font partie d'une famille monoparentale dirigée par



Le Comité recommande à l'unanimité ce qui suit :

6. Le programme provincial Maisons pour de bon devrait être élargi pour encourager le logement sans but lucratif et le logement coopératif, en accordant notamment une attention particulière aux besoins d'habitation des personnes seules qui vivent actuellement dans des maisons de chambres.

En outre, le Comité recommande à l'unanimité ce qui suit :

7. Le gouvernement devrait continuer d'appuyer les initiatives visant à augmenter la densification du logement et affirmer à nouveau son engagement à utiliser les recettes provenant de la vente de terrains appartenant à la province pour appuyer les initiatives en matière de logement.

## Pauvreté

Au cours des consultations pré-budgétaires de 1989, un grand nombre de groupes ont fait part au Comité de leur connaissance et de leur expérience de la pauvreté en Ontario et ont insisté pour que soient mises en oeuvre les réformes du système d'aide sociale proposées dans le rapport Transitions du Comité d'examen de l'aide sociale. Ce rapport précisait que les bénéficiaires courants de l'aide sociale sont des enfants (40 %), des chefs de famille monoparentale (18 %) et les personnes handicapées (18 %). Le rapport constatait aussi que le système actuel est structuré de telle façon qu'il perpétue le cycle de la pauvreté au lieu de faciliter le passage à l'indépendance. Les recommandations du rapport visaient à restructurer le système d'aide sociale pour qu'il incite à la confiance en soi et serve de tremplin et non de filet de repêchage. Les réformes devaient être mises en oeuvre en cinq étapes. Le Comité permanent des affaires économiques et financières, « persuadé de l'urgence et de la nécessité d'améliorer le système d'aide sociale de l'Ontario », a recommandé à l'unanimité la mise en oeuvre complète de la première étape. En mai 1989, le gouvernement a annoncé les détails d'un grand programme de réforme de l'aide sociale.

Le ministère du Logement a un budget de 560 millions de dollars en 1989-1990, dont presque 80 % représentent des transferts à d'autres ministères. Son budget représente environ un pour cent du budget total de l'Ontario. L'Affordable Housing Action Group et la Fédération of Metro Tenants proposent d'augmenter le budget total du ministère du Logement au cours des trois prochaines années pour atteindre trois pour cent des dépenses publiques.

Des groupes constitués au sein de l'industrie du bâtiment se font l'écho de la demande d'autres témoins de ne pas instituer de nouveaux impôts ni augmenter les impôts existants, faisant valoir que de tels impôts seraient autant d'obstacles à l'offre de logement. Le Comité se montre sensible aux groupes qui ont proposé des moyens qui permettraient de compenser les frais accrus représentés par l'offre d'habitations. Parmi ces propositions, il y a lieu de citer la réinstauration du Fonds d'aide au logement pour utiliser les fonds provenant de la vente de terrains provinciaux à bâtir; l'instauration d'une taxe sur la spéculation foncière, et l'utilisation de la taxe sur la concentration commerciale pour des initiatives de logement dans le Grand Toronto.

#### Observations du Comité

Le Comité a été impressionné par le nombre de délégations pour lesquelles le logement abordable constitue une question clé. Étant donné que l'offre de terrains pour un logement abordable est un facteur important quand il s'agit d'offrir ce genre de logement, les membres du Comité estiment que le gouvernement devrait déployer plus d'activité pour veiller à ce que soient réalisées les objectifs de 25 % de logements abordables dans les zones de croissance urbaine rapide.

Le Comité observe que beaucoup de groupes appuient le programme Maisons pour de bon. Il reconnaît que le logement sans but lucratif et le logement coopératif ont contribué de façon importante à l'obtention d'un logement abordable et il accueille favorablement l'idée qu'il doit y avoir un afflux constant de ces logements sur le marché de l'habitation. Le Comité estime qu'il est important de surveiller attentivement la mise en oeuvre du programme Maisons pour de bon et d'y ajouter d'autres programmes pour assurer une offre continue et uniforme de logement sans but lucratif et de logement coopératif.



financement d'une autre tranche de 30 000 logements sans but lucratif sur trois ans à 16 000 logements locatifs sans but lucratif par an et 56 500 logements sans but lucratif d'ici à 1996 et 75 000 d'ici à la fin de la décennie.

Les témoins ont envisagé des moyens qui permettraient d'offrir un logement abordable, faisant valoir que la meilleure façon d'y parvenir était le logement sans but lucratif et coopératif. Bien que l'acquisition de ces logements puisse être coûteuse à court terme, il est plus probable que ces logements resteront accessibles à long terme, étant donné qu'il ne sera pas nécessaire de prélever un profit sur la plus-value du terrain ni d'ajouter des coûts fréquents de refinancement. Il est important d'augmenter l'offre de terrains à bâtir pour faciliter la compression des coûts, car l'élément terrain représente souvent une grosse partie du coût de l'habitation. L'augmentation des fonds permettant d'offrir des services juridiques aux locataires contribuerait à offrir aux locataires à faible revenu des conseils et services en temps voulu.

Des organismes comme l'Affordable Housing Action Group et l'Ontario Non-Profit Housing Association soulignent que les personnes seules à faible revenu, les familles monoparentales, les personnes âgées et les personnes handicapées restent économiquement vulnérables, étant donné qu'elles ont de faibles revenus et peu de choix de logement. Le récent incendie survenu à Rupert Hotel a souligné le besoin d'agir pour offrir un logement abordable. Ces groupes croient que le logement sans but lucratif contribue à répondre à la demande de logement pour ces personnes de même qu'à la demande de ceux pour qui le rêve de posséder un logement ne sera jamais une réalité.

Certains groupes estiment aussi qu'étant donné les délais d'attente entre l'acquisition du terrain, l'obtention des permis réglementaires et la construction du logement, il est impératif d'agir immédiatement. L'Ontario Non-Profit Housing Association souligne que c'est le moment de profiter de la disponibilité de terrains appartenant au gouvernement, de la politique imposant 25 % de logements abordables et de la disposition du secteur sans but lucratif de travailler de concert avec le gouvernement pour remettre les logements. L'offre de logements sans but lucratif devient plus acceptable et plus recherchée : plus de 120 municipalités participent actuellement à des programmes de logement de ce genre, soit le double du nombre enregistré il y a encore quelques années.

Le Comité recommande donc ce qui suit :

5. Les observations du Conseil des ministres et du Conseil de gestion devraient comporter une section concernant l'impact sur les municipalités et les conseils scolaires d'initiatives provinciales que ces paliers de gouvernement sont tenus de mettre en oeuvre.

## QUESTIONS SOCIALES

### Logement

#### Observations des témoins

Le ministère du Logement indique que les deux tiers des 3,5 millions de ménages de l'Ontario possèdent leur propre foyer. Certains autres ménages louent leur habitation par choix. D'un autre côté, un quart de million de ménages en location, qui représentent le «noeud du problème», doivent dépenser plus de 30 % de leur revenu pour se loger. Le rapport du Comité d'examen de l'aide sociale, intitulé *Transitions*, dénonce la pénurie de logements abordables comme l'un des deux facteurs importants qui perpétuent la pauvreté (l'autre étant l'insuffisance de prestations). Moins de 20 % des bénéficiaires de l'aide sociale vivent dans un logement dont le loyer est fonction du revenu : la plupart d'entre eux doivent se disputer les logements du marché privé. Les témoins déclarent que la pénurie de logements à bon marché reste un facteur important de pauvreté et empêche des personnes handicapées de profiter des débouchés d'emploi de la communauté urbaine de Toronto. Le ministre des Services sociaux et du Comité d'examen de l'aide sociale en matière de logement, le gouvernement a accordé une amélioration de 119 millions de dollars en système d'allocation-logement.

Le Comité a entendu les dépositions de plusieurs groupes qui cherchent le maintien d'un engagement du gouvernement à fournir un logement abordable. Il y a eu, en particulier, des demandes visant un programme analogue au programme Maisons pour de bon, qui s'est avéré un succès, qui offrirait de nouveaux logements sans but lucratif. (Trente mille logements ont été annoncés dans le cadre du programme Maisons pour de bon, lancé en 1988; 28 000 ont été attribués et seront terminés dans deux ou trois ans.) Les programmes suggérés vont du

entre les conseils scolaires et les promoteurs immobiliers relativement à des arrangements financiers innovateurs pouvant remplacer l'impôt sur les loirs.

Les relations entre les paliers de gouvernement provincial et municipal ont été abordées par l'Association of Municipalities of Ontario (AMO) et la ville de Toronto. L'AMO insiste sur la nécessité d'une nouvelle association entre les deux paliers de gouvernement, particulièrement au chapitre du système de paiements de transfert. Elle exprime la frustration ressentie par ses membres face à ce que ceux-ci considèrent comme une détérioration de la relation entre les deux paliers de gouvernement. L'AMO s'inquiète en particulier que des programmes provinciaux soient reflés aux administrations municipales et que la province continue de consentir des fonds insuffisants aux programmes existants et de lancer de nouveaux programmes sans modifier les rapports fondamentaux de financement. La ville de Toronto demande une nouvelle formule de partage des recettes et propose l'accès à d'autres sources de recettes pour faciliter le financement de programmes. En outre, elle demande instamment que les subventions inconditionnelles soient relevées jusqu'aux niveaux traditionnels et que soient adoptées des clauses visant un financement de rattrapage pour compenser les subventions perdues au cours du présent exercice.

#### Observations du Comité

L'appel de l'AMO en vue d'établir une nouvelle association entre les paliers provincial et municipal de gouvernement au cours des années 1990, particulièrement en ce qui concerne le système de paiements de transfert, a impressionné le Comité. Celui-ci attend le rapport du comité consultatif sur les questions de financement provincial-municipal qui vient d'être constitué et qui comprend des représentants de l'AMO en vue de conseiller le ministre des Affaires municipales sur les moyens de satisfaire les pressions financières auxquelles sont exposés les deux paliers de gouvernement, notamment les recommandations du Comité touchant le système de paiements de transfert.

Et le Comité de conclure que, pour déterminer l'impact financier de bien des initiatives provinciales que les municipalités et les conseils scolaires sont tenus de mettre en oeuvre, les observations du Conseil de ministres et du Conseil de gestion devraient comporter une section sur leurs répercussions sur les municipalités et les conseils scolaires.

## RELATIONS ENTRE PALIERS DE GOUVERNEMENT

Observations des témoins

Les provinces reçoivent des fonds fédéraux en vertu d'accords fiscaux et du Régime d'assistance publique du Canada. Selon ces accords fiscaux, le gouvernement fédéral transfère des fonds aux provinces pour certains programmes nationaux à frais partagés, maintenant ainsi le principe d'une péréquation interprovinciale de capacité financière. Les plus gros paiements, relatifs aux soins de santé et à l'enseignement postsecondaire, se font dans le cadre du financement des programmes établis. Des fonds sont également fournis dans le cadre du Programme de péréquation fiscale, du programme de stabilisation fiscale et de la garantie des recettes au titre de l'impôt sur le revenu des particuliers.

La province fournit des fonds aux municipalités et aux conseils scolaires pour les aider à s'acquitter de leur mandat. Les municipalités reçoivent des subventions conditionnelles et des subventions inconditionnelles. Les subventions conditionnelles sont accordées pour des programmes ou services déterminés, principalement pour le transport, la santé, les services sociaux, l'environnement, la culture et les loisirs. Elles sont assujetties à des critères d'admissibilité et des conditions de dépenses et les municipalités sont souvent tenues de contribuer financièrement au programme visé par la subvention. Les subventions inconditionnelles peuvent être dépensées d'une façon quelconque. En 1989-1990, les subventions conditionnelles et inconditionnelles ont atteint au total quelque 4,5 milliards de dollars.

La province et les conseils scolaires locaux partagent entre eux les frais du financement de l'enseignement élémentaire et secondaire. La province fournit des subventions générales qui ont atteint au total 4,16 milliards de dollars en 1989-1990. La province s'est en outre engagée à fournir 300 millions de dollars chaque année pendant quatre ans pour des immobilisations scolaires à compter de 1989-1990. La somme de 310 millions de dollars a été attribuée pour 1989-1990. Les conseils scolaires prélèvent leur part du financement des écoles au moyen des impôts fonciers locaux. En outre, la Loi sur les redevances relatives à l'aménagement de biens-fonds prévoit une option de financement supplémentaire consistant à fixer des impôts sur les lots en vue de la construction de nouvelles écoles. Elle facilite également les négociations



devant le Comité, et Bell Canada, qui a envoyé un mémoire par écrit, ont souligné que, pour clarifier et faire plus largement comprendre la situation financière de la province, le gouvernement doit mettre en oeuvre les recommandations faites par le Comité sur la comptabilité et la vérification des organismes du secteur public de l'Institut Canadien des Comptables Agréés. Ce comité a élaboré des normes d'états financiers en vue d'aider les gouvernements et de faciliter la prise de décision. Parmi ses recommandations il suggère de définir les organismes gouvernementaux qu'il serait souhaitable d'inclure dans les états financiers consolidés pour mieux comprendre la position débitrice de la province et d'avoir un registre de l'actif matériel de la province.

#### Observations du Comité

Le Comité constate qu'il n'y a pas de preuves d'un ralentissement de la croissance économique et que bon nombre de témoins sont inquiets du niveau actuel d'imposition.

Le Comité recommande donc ce qui suit :

3. Il y aurait lieu de restreindre les niveaux des dépenses publiques, il ne devrait pas y avoir de grosses augmentations d'impôt et il faudrait faire des efforts en vue de réduire le déficit.

Etant donné que le gouvernement fédéral a décidé d'imposer la taxe sur les produits et services, le Comité recommande également ce qui suit :

4. Il y aurait lieu d'explorer des moyens d'administrer conjointement la TPS et la taxe de vente provinciale.

gouvernement risque de ne pas vouloir réduire ses dépenses de façon trop radicale au moment où la croissance économique est plus lente et où le secteur privé va probablement réduire ses dépenses. À vrai dire, le gouvernement pourrait profiter du ralentissement des dépenses du secteur privé pour effectuer des dépenses nécessaires en immobilisations dans l'infrastructure, particulièrement dans des secteurs où l'investissement risque d'être faible. La CIBC désire insister sur le fait que les dépenses en immobilisations doivent se faire dans le cadre d'un plan d'ensemble visant à réduire le fardeau de la dette.

En ce qui concerne la question de la fiscalité, la CIBC propose que, pour obtenir un excédent des comptes courants, il doit y avoir réduction des dépenses et non une augmentation des impôts; la Banque de Nouvelle-Écosse conseille au gouvernement d'éviter de recourir à des augmentations d'impôt en vue d'assurer le maintien de la prospérité. WFFA estime qu'une augmentation d'impôt ne ferait que réduire davantage les dépenses des consommateurs, ce qui contribuerait à ralentir davantage la croissance économique. L'Institut C.D. Howe répète qu'il ne devrait pas y avoir de nouvelles augmentations du fardeau fiscal pour les résidents de l'Ontario. Il propose que l'extension de la taxe de vente au détail aux services professionnels, commerciaux et personnels ainsi qu'aux biens énergétiques faciliterait un abaissement du taux global. Qui plus est, le maintien des surtaxes provinciales est contraire à la réforme fiscale. Si la surtaxe n'a pas de date de cessation, elle doit être remplacée par un taux provincial d'impôt plus élevé sur le revenu des particuliers.

La nécessité de réduire le déficit et d'équilibrer le budget a aussi retenu l'attention. La CIBC estime que si les augmentations considérables d'impôt et l'exceptionnelle croissance économique des dernières années n'ont pas réussi à produire un budget équilibré, il faut remettre en question le niveau des dépenses. WFFA plaide également en faveur d'une réduction du déficit. La Banque de Nouvelle-Écosse souligne que le fait d'emprunter pour financer des programmes réduirait la souplesse budgétaire du gouvernement qui lui permet de réagir à des périodes de faiblesse économique et le rendrait vulnérable en cas d'évolution défavorable des taux d'intérêt. Les auteurs d'exposés ont fait plusieurs recommandations au sujet de la nécessité d'un resserrement des normes comptables du gouvernement. La CIBC estime que la présentation du budget devrait établir une distinction entre recettes et dépenses courantes et recettes et dépenses en immobilisations. La Chambre de commerce de l'Ontario, qui s'est présentée



## POLITIQUE BUDGÉTAIRE

La quasi-totalité des prévisionnistes de l'économie invités à se présenter devant le Comité estiment qu'il ne devrait pas y avoir d'augmentation des dépenses publiques ni d'augmentations d'impôt et qu'il faut faire des efforts en vue de réduire le déficit.

Selon l'Institut C.D. Howe, étant donné que la projection budgétaire à moyen terme du ministère du Trésor et de l'Économie indique une aggravation de la pénurie de recettes au cours de la période 1992-1993, la croissance des dépenses devrait être calculée de sorte qu'elle soit inférieure à la croissance prévue des recettes. L'Institut estime que pour y parvenir, le budget doit énoncer clairement toutes les priorités des programmes en vue de minimiser le problème causé par la présence d'un trop grand nombre de demandes qui se disputent des ressources insuffisantes. Il faut en outre s'en tenir aux priorités énoncées pour atteindre les objectifs de dépenses. Il y a lieu d'annuler les programmes lorsqu'ils ne remplissent plus leur but ou qu'ils sont tombés en désuétude. Le gouvernement est également invité à refondre ses programmes en matière de santé, de bien-être social et d'éducation.

Plusieurs auteurs d'exposés soulignent le besoin d'une plus grande planification et coordination des politiques. La Banque de Nouvelle-Écosse recommande l'élaboration d'un programme de dépenses plus prudent et une simplification coordonnée des exigences en vigueur pour laisser le champ libre à de nouvelles exigences. Elle souligne que l'accent doit être mis sur les coupures de dépenses, qui plus est, il faudrait éduquer les consommateurs au sujet du coût réel des services pour leur faire apprécier le besoin d'une réforme. WEFA estime que les dépenses ne devraient pas augmenter ou diminuer de façon procyclique, autrement dit, les dépenses publiques devraient être maintenues constantes au moment où le secteur privé augmente ses dépenses. Elle propose en outre une coordination de la politique monétaire et de la politique budgétaire. L'Institut C.D. Howe remarque que le document Perspectives économiques et le plan budgétaire se situe dans un contexte de moyen terme. Une prévision des recettes et des dépenses plus rigoureuse que les extrapolations du passé constituerait un enrichissement du document Perspectives économiques et revue budgétaire. La CIBC donne à entendre que le

INDICATEURS CHOISIS POUR 1990

Prévisionniste	Croissance	Taux de	Taux de	Taux d'inflation	Mises en
	réelle	chômage	croissance		chantier
	du PIB	%	de l'emploi	%	(en milliers)
	%			%	%
MTE	2,0	5,5	1,4	5,3	84
CIBC	1,7	5,2	1,4	s.o.	79,2
BNE	0,5	6,1	0,3	s.o.	78
DRI Canada	1,1				

Observations du Comité

Le Comité remarque que le taux de croissance ralentit, qu'il s'établira à des niveaux plus supportables à moyen terme et que l'économie ne semble pas se diriger vers une récession. Etant donné la perspective actuelle, il n'y a guère besoin d'encouragements budgétaires pour stimuler la croissance. En même temps, il est important de prendre des mesures qui inspirent confiance et dissipent les craintes de récession dans l'esprit des consommateurs, prévenant ainsi une série de réactions de leur part qui risqueraient d'aggraver le fléchissement.

Le Comité remarque que, dans l'industrie automobile, on prévoit un déclin des ventes en 1990, mais que la production d'automobiles de l'Ontario augmentera à mesure que de nouvelles usines augmenteront leur production en 1990, ainsi qu'à moyen terme.

Le Comité observe que le budget provincial renferme des mesures de l'économie de la province au cours d'une certaine période, mais qu'il ne renferme pas de larges mesures du progrès social. Il estime que l'insertion de mesures de ce genre permettrait d'avoir une vision socio-économique plus large de l'Ontario.

Le Comité recommande à l'unanimité ce qui suit :

2. Le budget provincial devrait présenter un tableau complet de la situation économique de l'Ontario et comprendre une large gamme d'indicateurs sociaux qui permettent une surveillance et une mesure des progrès dans les années à venir.

En ce qui concerne l'effet des nouvelles taxes sur l'habitation, l'Ontario Real Estate Association a conclu que les prix des maisons neuves et, finalement, ceux des maisons en vente pourraient augmenter de 10 000 \$ par maison, par suite de l'instauration de prélèvements sur les lotissements aux fins de l'éducation. L'association estime que la TPS pourrait alourdir de 4 à 5 % le coût de construction d'un hébergement localif neuf, augmentation qui se traduira par une hausse des loyers. En ce qui concerne les logements locaux existants, entre 40 et 50 % des postes inscrits dans l'indice des coûts d'exploitation des bâtiments seront assujettis à la TPS quant aux logements en vente; les commissions d'agents d'immobiliers, les frais d'évaluation, les frais juridiques et d'arpentage seront tous assujettis à la TPS et auront donc un effet sur les prix de vente.

On s'attend à une croissance vigoureuse du secteur des services, DRI Canada envisageant une croissance particulièrement vigoureuse dans les compartiments des finances, de l'assurance et de l'immobilier. Le ministère du Trésor et de l'Économie reconnaît que le secteur des services connaîtra le taux de croissance le plus élevé parmi les secteurs, soit 2,6 % en 1990. Par contre, entre 1991 et 1993, on s'attend à un fléchissement de la croissance dans ce secteur à mesure que les effets de la TPS commenceront à se faire sentir.

La plus-value du dollar canadien par rapport à son homologue américain a eu un effet défavorable sur les exportations, étant donné que les États-Unis constituent le plus grand marché pour les marchandises ontariennes. Selon la Banque de Nouvelle-Écosse, l'expansion américaine est à bout de souffle, ce qui assombrit les perspectives d'exportations, conclusion partagée par WEFA. Le ministère du Trésor et de l'Économie (MTÉ) estime que les exportations augmenteront légèrement en 1990 passant de 1,9 % en 1989 à 2,3 % en partie grâce aux effets de l'affaiblissement du dollar qui, selon les prévisions, devrait se situer dans la fourchette des 81 à 84 cents US.

la migration interprovinciale nette est devenue négative pour la province en 1989. À mesure que le taux de croissance de l'économie ralentira, on prévoit que cette migration continuera de baisser. Par contre, la Banque de Nouvelle-Écosse donne à entendre que le maintien de taux élevés d'immigration internationale apportera un appui important à la province.

Le ralentissement de la croissance est plus manifeste dans des secteurs précis. On s'attend, par exemple, à ce que l'industrie automobile, une des locomotives de l'économie de la province, soit touchée. DRI Canada estime que la faiblesse constatée dans le secteur automobile a réduit à 0,7 % en 1989 la croissance de l'industrie du matériel de transport et peut la réduire au taux prévu de 0,4 % en 1990. Plusieurs fabricants ont déjà mis à pied des travailleurs cette année. DRI Canada prévoit aussi une reprise des ventes d'automobiles nord-américaines en 1991, ce qui ferait grimper les niveaux de production, mais prévoit des niveaux plus modestes en termes de taux de croissance. Selon la Banque de Nouvelle-Écosse, les récentes mises à pied et le déclin des ventes indiquent un ralentissement de la croissance dans l'industrie. L'Institut C.D. Howe souligne que les effets de la mise en oeuvre de la taxe sur les produits et services (TPS), en réduisant les achats des consommateurs, accentueront la faiblesse du secteur en 1990. De son côté, le ministère du Trésor et de l'Économie conclut que malgré la prévision d'un nouveau déclin des ventes nord-américaines en 1990, on s'attend à ce que l'industrie automobile de la province augmente sa production à mesure que de nouvelles usines augmentent la production jusqu'à leur pleine capacité, à la fois en 1990 et à moyen terme.

Le secteur de la construction, qui a enregistré un taux de croissance très élevé dans un passé récent, sera durablement touché. Selon DRI Canada, son taux de croissance accusera une baisse appréciable par rapport à ses niveaux de 1989, à mesure que le cycle des investissements non résidentiels commencera à décroître, conclusion que la Banque de Nouvelle-Écosse fait également sienne. La Banque de Nouvelle-Écosse estime que les mises en chantier chuteront jusqu'à 78 000 en 1990, légèrement plus bas que la prévision de 79 200 de la CIBC et nettement plus bas que les 84 000 mises en chantier prévues par le ministère du Trésor et de l'Économie. Le ministère estime que les mises en chantier pourraient être favorisées par une augmentation de la construction en 1990, en partie pour essayer de prévenir les effets de la mise en oeuvre de la TPS en 1991. Il s'attend à une croissance négative de 0,6 % dans le secteur de la construction, un recul par rapport au taux de 5,4 % en 1989. Le secteur commercial sera le plus durablement touché, tandis que l'on prévoit le maintien d'une vigueur relative de la construction résidentielle.



## PERSPECTIVES ÉCONOMIQUES

Observations des témoins

La totalité des témoins qui se sont présentés devant le Comité ont souligné que, même si le taux de croissance ralentit, l'économie ne semble pas en voie de connaître une récession. La Banque Canadienne Impériale de Commerce (CIBC) prévoit un taux de croissance réelle de 1,7 % pour 1990, tandis que Data Resources of Canada (DRI Canada) s'attend à un taux de 1,1 %. De son côté, le ministère du Trésor et de l'Économie donne à penser que l'économie maintiendra un taux modéré de croissance, atteignant en moyenne 2,0 % en 1990, en baisse par rapport à 2,8 % en 1989, conclusion que l'Institut C.D. Howe reconnaît comme réaliste et qui, souligne cet organisme, laisse même entrevoir une croissance réelle moyenne éventuelle d'environ 3 %. D'autres groupes envisagent des taux de croissance plus faibles. Wharton Econometric Forecasting Associates (WEFA) suggère un taux de croissance presque nul, tandis que la Banque de Nouvelle-Écosse propose un taux aussi faible que 0,5 %.

On s'attend à une montée du taux de chômage. La CIBC prévoit un taux de 5,2 % en 1990, alors que le Trésor prévoit un taux de 5,5 %. WEFA s'attend aussi à ce que le taux de chômage continue de grimper, conclusion que partage la Banque de Nouvelle-Écosse qui le voit grimper jusqu'à 6,1 %.

Le ministère du Trésor et de l'Économie prévoit la création de 71 000 nouveaux emplois en 1990, un recul par rapport à 90 000 en 1989. La prévision d'un taux de croissance de l'emploi de 1,4 % est nettement plus élevée que l'estimation d'un taux de 0,3 % par la Banque de Nouvelle-Écosse.

Au même moment, le taux d'inflation baissera probablement à mesure que le niveau de la demande de la part des consommateurs continuera de tomber. La CIBC prévoit un taux d'inflation d'environ 4,8 %, tandis que le ministère du Trésor et de l'Économie s'attend à un taux d'inflation de 5,3 %, en baisse par rapport aux 5,9 % de 1989. WEFA reconnaît également que le taux d'inflation sera plus bas en 1990 qu'il ne l'était en 1989.

Les tendances en matière d'immigration donnent un aperçu utile sur le niveau d'activité économique. DRI Canada prévoit une immigration nette plus lente vers l'Ontario au début des années 1990. La Banque de Nouvelle-Écosse souligne que, pour la première fois depuis 1981,

recommandations. En même temps, il est utile que le Comité écoute les inquiétudes et les attentes de la population et puisse évaluer les priorités à accorder à ces pressions.

Le Comité recommande donc à l'unanimité ce qui suit :

1. Les points que le Comité devrait envisager à l'avenir préalablement au budget comprennent les déplacements dans les localités autres que Toronto. Le processus devrait commencer chaque année au début de janvier pour se terminer au plus tard à la mi-février.



## PROCESSUS DE CONSULTATION PRÉ-BUDGÉTAIRE

Depuis 1987, le Comité permanent des affaires économiques et financières tient des consultations pré-budgétaires. Ces consultations visent à constituer une tribune qui permet aux simples citoyens d'exprimer leurs opinions sur l'économie ontarienne et le prochain budget et donnent aux membres du Comité l'occasion de délibérer sur les priorités pour la province. En tant que comité composé de membres de tous les partis, le Comité s'efforce de faire les observations et recommandations qui reflètent l'unanimité de ses membres.

En 1989, l'objectif principal de son rapport était une recommandation unanime visant la mise en oeuvre de la Première phase du rapport du Comité d'examen de l'aide sociale. Le Comité a été encouragé de constater que le budget de 1989 prenait en compte les réformes de l'aide sociale. Il a eu également le plaisir de pouvoir examiner le budget avec le trésorier, aussitôt après l'annonce du budget.

Le Comité constate que les auteurs d'exposés, cette année et les années précédentes, viennent de secteurs semblables de l'économie et presque entièrement du Grand Toronto. Le Comité ne reçoit pas un assortiment entièrement représentatif des expressions de points d'intérêt de toutes les régions de la province ni de tous les secteurs, ce qui restreint la portée de l'évaluation qu'il peut faire des priorités pour la province. Le Comité se demande aussi s'il ne devrait pas pouvoir tenir des consultations pré-budgétaires assez tôt pour qu'elles constituent une contribution utile au travail du trésorier.

## Observations du Comité

Le Comité est d'avis que les consultations pré-budgétaires devraient porter sur des questions de perspectives économiques et de politiques budgétaires et non sur le détail des dépenses. C'est pourquoi, cette année, le Comité a invité un certain nombre d'experts-conseils en économie à donner cette vue macro-économique de la province. En général, l'esprit des recommandations du Comité consisterait à relever le niveau de vie dans l'ensemble de la province au lieu de concentrer ses efforts sur tel ou tel secteur. Cette planification à longue portée viserait des questions comme la fiscalité et la génération d'une richesse générale, les ententes commerciales internationales ou la mise en oeuvre des recommandations du Conseil du premier ministre. Le Comité pourrait aussi viser chaque année des domaines précis dans lesquels il ferait des

## INTRODUCTION

Le Comité permanent des affaires économiques et financières a le plaisir de présenter son rapport renfermant ses recommandations et observations au sujet des priorités économiques et budgétaires de la province pour le budget de l'Ontario de 1990.

Au cours des consultations publiques qui ont eu lieu entre les 15 et 25 janvier 1990, le Comité a entendu les exposés de plus de 40 délégations et reçu en outre 14 mémoires par écrit. Avant les audiences, le Comité avait pu effectuer un survol de l'économie de l'Ontario en prenant connaissance du document intitulé Perspectives économiques et revue budgétaire - Ontario 1990, rédigé par le ministère du Trésor et de l'Économie; il a aussi eu des entretiens avec le trésorier de la province et avec le personnel du ministère du Trésor et de l'Économie.

Le Comité a estimé qu'il serait avantageux de solliciter l'opinion d'économistes étrangers au gouvernement sur la gamme des perspectives économiques relatives à l'Ontario et sur la façon dont on pourrait gérer un quelconque ralentissement. L'Institut C.D. Howe, Wharton Econometric Forecasting Associates, Data Resources of Canada, la Banque de Nouvelle-Écosse et la Banque Canadienne Impériale de Commerce ont pu accepter l'invitation du Comité. Celui-ci apprécie hautement le temps et l'effort consacrés par ces organismes à partager leur expérience et à communiquer au Comité leurs vues et opinions sur les options qui s'offrent à l'économie ontarienne en 1990 et au-delà.

Le Comité a accordé l'année dernière un intérêt particulier à la mise en oeuvre des réformes de l'aide sociale recommandées au premier stade du rapport du Comité d'examen de l'aide sociale intitulé Transitions. L'honorable Charles Beer, ministre des Services sociaux et communautaires, et les membres de son personnel se sont présentés devant le Comité pour l'informer de la situation des réformes dont le financement avait été annoncé dans le budget de 1989. En outre, étant donné le nombre des exposés relatifs au logement, M. Walter Elliot, adjoint parlementaire au ministre du Logement, et des membres du personnel de ce ministère se sont présentés devant le Comité pour informer celui-ci des activités du ministère.

Le Comité apprécie hautement les dépositions complètes et détaillées qu'il a reçues de tous les témoins et remercie toutes les personnes qui ont pris le temps de faire une telle contribution au processus pré-budgétaire.



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Anne Anderson  
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Recherchiste

\* Remplacée par Sam Cureatz pour l'adoption du rapport  
\*\* Remplacé par John Cleary pour l'adoption du rapport  
\*\*\* Remplacé par Howard Hampton pour l'adoption du rapport







LEGISLATIVE ASSEMBLY  
ASSEMBLÉE LÉGISLATIVE

Ontario

L'honorable Hugh Edgihoffer,  
Président de l'assemblée législative

Monsieur,

Le comité permanent des affaires économiques et financières a  
l'honneur de présenter son rapport sur les consultations  
prébudgétaires pour 1990 et le confie à l'Assemblée.

Le président du comité,

A stylized, handwritten signature in dark ink, likely belonging to Steven Mahoney.

Steven Mahoney

Queen's Park  
Mars 1990



# Comité Permanent des Affaires Économiques et Financières

Consultations prébudgétaires pour 1990



Ontario

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